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BUSINESS MODELS

COMPENDIUM



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Business Models – compendium

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Introduction

European and worldwide markets have been suffering in the recent years from significant and sudden changes due to different processes, for example, globalisation, European integration, ICT development, and global economic crisis. All these elements impose companies to change their business strategies and business models in order to fight against the challenges imposed by the global competition. This change becomes even more necessary when small and medium enterprises are mentioned, because they are more exposed to the loss of competitiveness coming from market changes. The interactions between companies and other market players are considered as key factors in developing successful businesses (Mele, Russo-Spena & Colurcio, 2010) and in order to highlight these elements, a clear model is crucial to define a correct strategy.

From the current landscape, the need to change the way of running a business in a radical way is emerging, starting from re-designing the business model.

Entrepreneurs must take decisions based on their cognitive framework. It plays a crucial role in interpreting ambiguous signals and thus in strategic choices (Walsh, 1995). Therefore, a key element is to re-design this cognitive framework in order to make sense of a complex and changing environment. A correct framework will lead to a successful business; however, unsuitable mental models will result in inadequate responses to the environment.

Unfortunately, updating cognitive frames is not easy. Inertial forces delay the updating process and very often only extremely strong signals are able to force change. There is, therefore, a clear need for tools and methodologies capable of facilitating changes to cognitive frames to help decision makers update their interpretation of a firm's situation before it deteriorates (Vedovato, 2016).

A business model can be used as a tool to foster company changes and to adapt the business to the current situation.

The term "*business model*" is a relatively young phenomenon. Although it appeared for the first time in the academic article in 1957 (Bellman, Clark et al. 1957) and in the title and abstract of a paper "*Educators, Electrons, and Business Models: A Problem in Synthesis*" in 1960 (Jones, 1960), it rose to prominence only towards the end of the 1990s. Various researchers have made studies on business models, mainly in the design and management field (Osterwalder et al., 2014; Battistella et al., 2012). Over the years, the concept of a business model has gained increasing attention in academic and management environments (Zott, Amit, Massa, 2010).

The concept of *business model* has been used by strategy scholars to refer to "the logic of the firm, the way it operates, and how it creates value for its stakeholders" (Casadesus-Masanell & Ricart, 2009).



At the San Jose State University, a business model is described as *“a simple description or an account or a conceptual plan of how a business will make a profit.”* Meanwhile, the Epia Consulting defines a business model as *“a model, which helps organisations to realise the economic value of their product, services, business, and /or technology.”*

A very clear and detailed definition of a business model is given by Osterwalder, Pigneur and Tucci (2005):

*A **business model** is a conceptual tool that contains a set of elements and their relationships and allows expressing the business logic of a specific firm. It is a description of the value a company offers to one or several segments of customers and of the architecture of the firm and its network of partners for creating, marketing, and delivering this value and relationship capital, to generate profitable and sustainable revenue streams* (Osterwalder, Pigneur & Tucci, 2005).

In the last few years, the attention for innovative business models has also been raised in different industrial contexts. A clear evidence of the importance of innovative business models was highlighted mainly in the web companies and e-businesses (Timmers, 1998). The development of start-ups (characterised by high level of innovation and education) fostered the propagation of new business models and strategies. These are mainly applied in the digital economy, but the business models' innovation is also considered more and more important in other markets, e.g., production industries or commodities.

As Osterwalder said in his work on Business Model Generation, “business model innovation is about creating value for companies, customers, and societies. It is about replacing outdated models”
(Pisano, Cautela & Pironti, 2014).

A business model can be analysed with the use of different methodologies and tools. As an example, visualisation methods are usually used to have tangible elements to reflect on. This approach *provides ways of examining and improving managerial judgement by transforming raw data into accessible forms of knowledge representation* (Yee, Walker & Menzfield, 2012). Visualisation can enable the reframing of current views, foster changes in perspectives, and facilitate the systematic and global comparison of many options (Eppler & Platts, 2009). Visualisation tools have already been used in the past for management and strategy purposes.

Business models and strategy are distinct but connected concepts (Teece, 2010). *A business model articulates the logic of value creation for customers, how the firm can be organised to best meet its customers' needs, get paid, and make a profit. Strategy defines strategic objectives in light of environmental characteristics and available resources and delineates the initiatives and policies necessary to obtain a sustainable competitive position* (Vedovato, 2016).



Several tools for strategy definition and business models are based on graphics and visual schemes. Maps are usually used as visual representations of strategy and related issues and the **business model canvas** is used to define a business model. The business model canvas is probably **the most used tool today for the visual representation of strategy related issues, in particular the business model** (Osterwalder & Pigneur, 2010). It is a simplified scheme for representing and projecting business models and identifying new strategic alternatives. It aims at providing a general model to easily describe and manipulate business models in organisations of all kinds, including large corporations, non-profits, and new ventures. It has also become a very common tool in the development of start-up business plans (Trimi & Berbegal-Mirabent, 2012).

This compendium aims at indicating the importance of the business model and its key elements. In the first chapter, the theoretical framework of business models and key elements of business models are described. In the second chapter, the research results on which elements of business models are known in companies in partner countries are shown (executive summaries from case studies analysis). Moreover, the authors indicate which elements of business models are especially needed in companies. In the third chapter, knowledge and skills necessary for designing a business model are presented (executive summaries from the questionnaires). The partners made comparative analysis between knowledge and skills offered by educational institutions in Poland, Italy, The Czech Republic, Greece, and Slovenia and knowledge and skills used by entrepreneurs in practice. In the conclusion, the recommendations on the creation of a business model in companies are given. The compendium also contains appendices with 'word bank' and examples of exercises on business model design and implementation.



CHAPTER 1. BUSINESS MODELS – THEORETICAL BACKGROUND

1.1. Reasons, why a business model is important

The significance of the business model is perceived due to the fact that it is a tool that helps the organisation to:

- define where the business is in the value chain;
- determine what the consumer gets out of it;
- determine the future of a business – whether it succeeds or fails;
- achieve success of any business;
- create a foundation for optimising innovative technology;
- test out a new idea to see if it holds real promise of success;
- create a clear statement of the business mission and vision;
- create a set of values that can help to steer business;
- create a clear-eyed analysis of the industry, including opportunities and threats;
- create a portrait of potential customers;
- create a roadmap and timetable for achieving goals and objectives;
- form a description of the products and services that are offered;
- form an explanation of marketing strategies;
- create a handbook for new employees describing the company and its activities; and,
- create a résumé that can be used to introduce the business to suppliers, vendors, or lenders.

Numerous researches in the area of entrepreneurship have shown that a company simply cannot be successful without a good and clearly set business model. Therefore, in the last few years, experts and owners of successful enterprises have dedicated a lot of effort and manpower in developing business models that are especially adapted to their goals and the desired impact of their businesses.

1.2. Classifications of business models

There are different classifications of business models, for example, M. Rappa distinguished the following 9 basic business models:

- Brokerage model,
- Advertising model,
- Infomediary model,
- Merchant model,
- Manufacturer model,
- Affiliate model,
- Community model,
- Subscription model, and
- Utility model.



P. Timmers (1998) plays an important role in the development of business models. He distinguished the following 11 kinds of business models, which are mainly characteristic for e-companies:

- E-shop model,
- E-procurement model,
- E-auction model,
- E-mall model,
- 3rd party marketplace model,
- Virtual communities model,
- Value chain integrators model,
- Collaboration platforms model,
- Value chain service provider model,
- Information brokerage model, and
- Trust services model.

L.M. Applegate (2001) proposed four basic categories of business models (Table 1).

Table 1. Typology of business models according to L.M. Applegate

Basic category of business model	Description of the model	Detailed models
<i>Focused distributor model</i>	It enables access to products and services in a branch or on a selected market	Detailed seller model, 3 rd party marketplace, aggregator model, information brokerage model, exchange model
<i>Portal model</i>	(the lack of the description)	Horizontal portal mode, colligation model
<i>Producer model</i>	It enables to sell products and components directly from the producer	Creator model, Service operator model, Educator, Counsellor, Provider models
<i>Infrastructure provider model</i>	It enables the clients to get e-services	Horizontal portal model (e-service provider) and vertical model (ASP)

Source: based on L.M. Applegate (2001).

P. Weill and M.R. Vitale (2001), based on case studies of popular companies, proposed 8 *atomic business models* (Table 2) through the presentation of their strategic objectives, profits, critical factors of success and competences required in order to implement them effectively.



Table 2. Atomic business models according to P. Weill and M.R. Vitale

Name of the model	Description of the model
<i>Content provider</i>	It enables the access to the content (information, products and digital services) through brokers
<i>Direct to customer</i>	It provides products and services directly to clients, without brokers
<i>Full-service provider</i>	It fulfils the needs of the client in a specific area (e.g., finances, insurance) directly from the providers and the brokers
<i>Intermediary</i>	It links consumers and providers through the concentration of information on clients.
<i>Shared infrastructure</i>	It gathers several companies through making access to common IT infrastructure, which offers services unavailable on the market.
<i>Value net integrator</i>	It coordinates transfer of information and products to brokers and clients.
<i>Virtual community</i>	It links a group of people with similar interests in a virtual community, taking fees from members.
<i>Whole-of-enterprise government</i>	It consolidates all services and enables the access through one contact point.

Source: based on P. Weill and M.R. Vitale (2001).

The authors suggest that proposed classification is the base for all e-business models. Moreover, they highlight that models can be configured in different ways to develop a business model best adjusted to the needs of a company.

C. Baden-Fuller and V. Mangematin (2013) proposed 4 types of business models (Table 3).

Table 3. Classification of business models according to C. Baden-Fuller and V. Mangematin

Name of the model	Description of the model
Franchising model (fast-food network)	A simple model addressed to various clients, in which strong hierarchical links between different people are perceived.
Strategic model for boutique consultant	A simple model only addressed to selected clients. There is a link between a company and a client without additional subjects in the value chain.
Newspaper model	Bilateral model, which concerns two types of clients – consumers and advertiser, who represent different environments and different areas of activities. The connections are within the network of hierarchical values.
Web searching model	

Source: based on C. Baden-Fuller and V. Mangematin (2013).



The typology proposed by the authors addressed four significant aspects of the business activity: (1) the identification of clients, (2) the engagement of consumers, (3) the raise of values, and (4) income. In the opinion of the authors, the presented classification shows the relations between a company, clients, and finances in a complex way and presents the models used in practice or models that could be used by companies, independently from the areas of the activity.

1.3. Key elements of business models

There are various elements of business models. The four-element classification is most often used in the literature, e.g., G. Hamel (2002); M.W. Johnson, C.M. Christensen and H. Kagermann (2008); T. Gołębiowski and co-authors (2008), or S. Nenonen and K. Storbacka (2009). The first of the authors states that the basic elements of the business model include the following:

- Basic strategy,
- Strategic resources,
- Relations with clients, and
- Network values.

These are linked one to another through the configuration of activities, profits for the clients and the borders of business activity. At the same time, G. Hamel highlights that the base for the development of a business model is to achieve a profit with the use of a business model.

The elements proposed by M.W. Johnson, C.M. Christensen and H. Kagermann include the following:

- Value propositions for the client,
- Profit formula,
- Key resources, and
- Key processes.

T. Gołębiowski and co-authors distinguish the following elements:

- Value propositions for the client,
- Resources, competences, knowledge,
- Place in a value chain, and
- Income.

These are to build, offer, and provide values and to ensure the competitiveness of a company in a specific area and enable to increase its value (Gołębiowski et al. 2008).

Although, in the literature, there are numerous classifications of business models, the classification proposed by A Osterwalder and Y. Pigneur (2010), which distinguishes 9 elements, is the most popular (Figure 1).

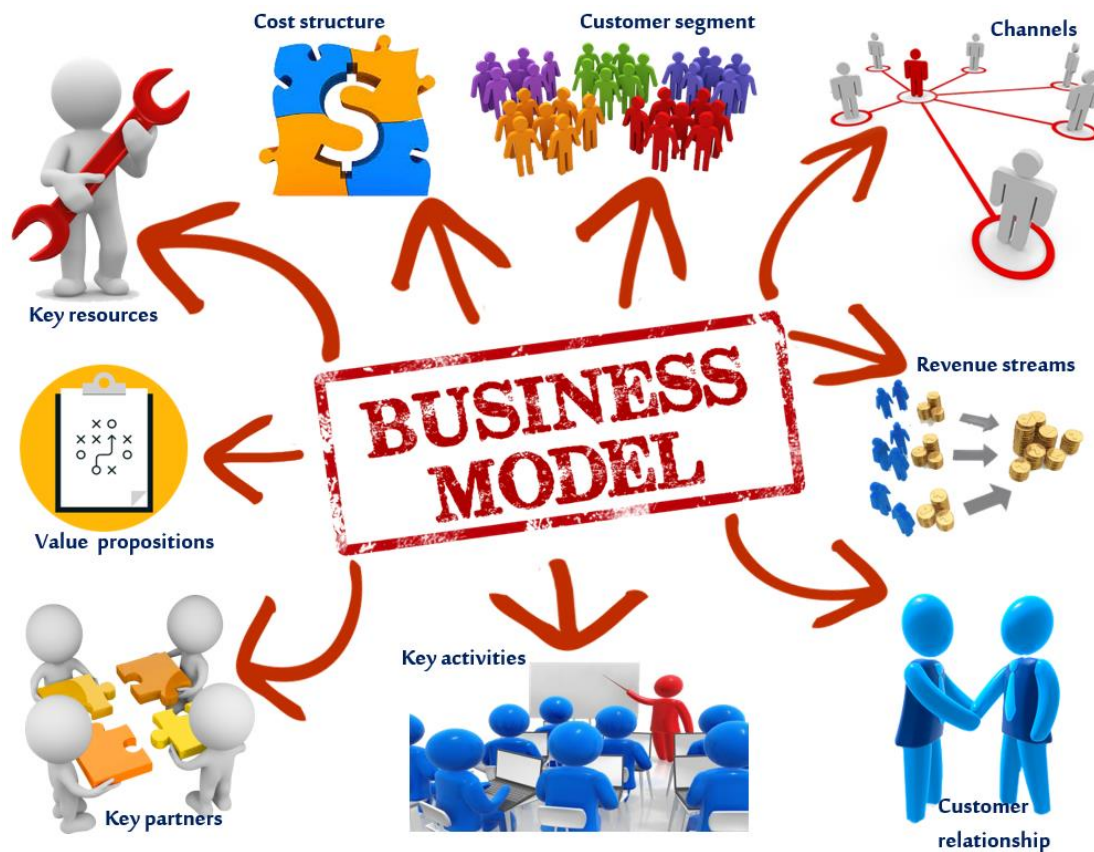


Figure 1. Key elements of business models according to by A Osterwalder and Y. Pigneur (2010)

Source: based on by A. Osterwalder and Y. Pigneur (2010)

Each element is described in this chapter in details (Osterwalder & Pigneur, 2010), so that the entrepreneur will be able to more deeply understand the content of the business model's elements.

1.3.1. Key partnerships

The **Key Partnerships** element describes the network of suppliers and partners that make the business model work.

The following factors are very important to keep in mind when forming partnerships:

- Right Partnership Agreements;
- Defining Expectations;
- Impact on your clients;
- Win-Win situation, i.e. for a partnership to be sustainable, there needs to be visible gains on both ends; and,
- Selecting partnerships.



When the partnership is created, it is fruitful to analyse the nature of the partnership based on the following key questions:

1. Which partnerships are critical to our business?
2. Who are our critical suppliers?
3. Which of our suppliers and partners are sourcing our key resources?
4. What type of partnerships would best suit our needs?
5. What is the best cluster / supply chain where I should be located?

These questions can be useful to create a clear overview of your partnerships and adapt your strategies to the market changes.

1.3.2. Key activities

The **Key Activities** element includes the most important things a company must do to make its business model work.

In order to be successful, a company must carry out key actions that are primarily dictated by its business model.

When planning the key activities, it is necessary to know answers to the following questions:

1. What kinds of activities are crucial to our business?
2. What kinds of activities are crucial to our distribution channels?
3. What kinds of activities are important if we want to maintain our customer relationships?
4. What kinds of activities are fundamental for our revenue streams?

Some typical key activities that are commonly practiced by most organizations are listed below:

- Research & Development,
- Production,
- Marketing, and
- Sales & Customer Services.

1.3.3. Key Resources

The **Key Resources** element describes what is necessary to make a success in a company.

Each company must have access to resources. The collection of needed resources significantly affects the success of an enterprise or the lack of it. There are different classifications of resources. For example, Michael Gordon, in his book *“Entrepreneurship”* (2009), distinguished six types of resources: human resources, material resources, financial resources, knowledge resources,



infrastructure resources, and imagination. Swiss business theorist, Alexander Osterwalder, suggests finding answers to the following questions:

1. What key resources are required by our value proposition?
2. What resources are required by our distribution channels, customer relations, and revenue streams?

Based, on these questions, it is possible to divide key resources into the following categories: material, intellectual, human, and financial resources.

The abovementioned terms can be delineated as follows:

- **Material resources** – These are material assets, such as production infrastructure, buildings, vehicles, devices, systems, the network of sales points, or the distribution network.
- **Intellectual resources** – These include trademarks, author knowledge, patents, copyrights, alliances, or the customer database.
- **Human resources** – These are particularly crucial in trades that require extensive knowledge and creativity. An appropriate model of organizational culture in company strengthens *relationships* between employees and company and all people, who are associated with them. It is a key resource of each company.
- **Financial resources** – Every company needs money at all stages of its development and, in order to implement business model, it is necessary to obtain specific financial resources. The financial resources of the organization include cash (in hand and on deposit in bank accounts), securities, receivables, received loans, and credits.

1.3.4. Cost structure

Cost structure covers all expenses, which are important in the company activity.

Having in mind the financial aspect, we should answer the following questions:

1. What are the main costs that are generated in our company?
2. Which key resources are the most expensive?
3. Which key actions require a major financial investment?

In several business models, it is particularly important to maintain low costs. Therefore, it is worth distinguishing between the two categories of structure:

- **The structure focused on costs** – The maintenance of a low-cost structure needs reducing costs whenever it is possible. It can be ensured by lowering the costs of value proposition, and introducing maximum automation in production and outsourcing.
- **Structure focused on value** – Some companies pay more attention to the quality of the products.

The cost structure may concern the following:



- **Fixed cost** – These are the costs that the company bears even in the period in which the production is at zero level. These costs are incurred every month on operating activities, such as media, accounting, etc. Fixed costs are major cost components for many businesses, especially service providers, including restaurants, cinemas, theatres, and hotels.
- **Variable costs** – These change in proportion to the quantity of goods produced or services provided. For this type of costs, it is possible to include costs associated with renting variable factors of production, for example, work, or raw materials. For example, companies have signed contracts with employees and suppliers of raw materials, and they may use quite a lot of flexibility through work in a timeless or part-time, employment of seasonal workers or the purchase of raw materials in the market.

1.3.5. Relation with clients (Customer Relationships)

The term of '**relations with clients**' defines the type of the relations between a company and each customer segment.

The interaction with customers is the crucial part of any business. Its success and survival rely on the right identification of the relationship the company wants to establish with its specific customer segments (Figure 2).

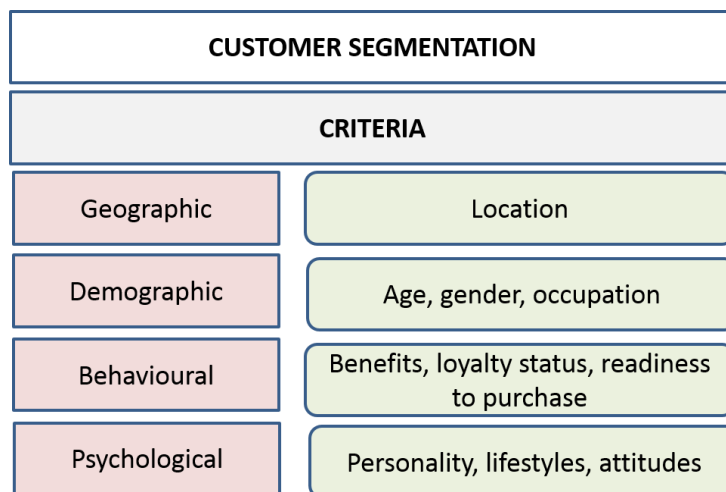


Figure 2. Customer segmentation

Source: based on: <https://www.fieldboom.com/blog/customer-segmentation/> [09.11.2017].

There are **various types of relationships with customers** can be developed. Each of them can affect the business model in a different way, depending on specific needs and wills of each client. There are different categories of customer relationships (Table 4):



Table 4. Categories of customer relationships

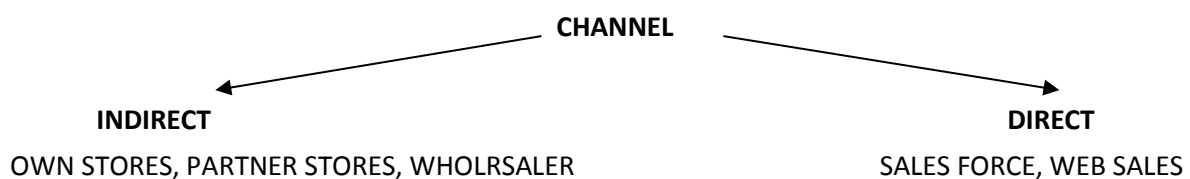
Name of the relationship	Description of the relationship
<i>Personal assistance</i>	Human interaction between a real company representative and customers, such an assistance, which can be performed during or after sales process.
<i>Dedicated personal assistance</i>	Continuing (usually over a long period of time) human interaction between a real company representative and a special set of customers (the example can be a key account manager, who maintains personal relationships with important customers).
<i>Self-service</i>	Indirect interaction between a company and its customers. Tools and means are provided to clients.
<i>Automated services</i>	Self-service, which is integrated with automated processes. The system is able to identify individual customers and their preferences.
<i>Communities</i>	Direct interaction among different customers and the company On-line communities that allow sharing knowledge and solving common problems between different customers.
<i>Co-creation</i>	Personal relationship between a company and customers created through clients' direct contribution to the final outcome of the products or service.

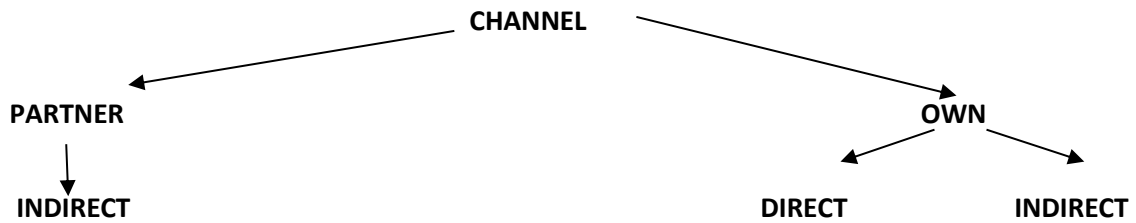
Source: Osterwalder & Pigneur (2010)

1.3.6. Communication channels (Customer Channels)

Channels are customer touch points that play an important role in the customer experience.

There are five main *channel phases*, i.e. awareness, evaluation, purchase, delivery, and after sales, which can be differentiated depending on the *channel type*.





The business’s own channels

Partner channels

- | | |
|--|---|
| <ul style="list-style-type: none"> + higher margins - costly to establish and maintain | <ul style="list-style-type: none"> + allow extending company’s reach, benefit from partner strengths - lower profit margins |
|--|---|

Table 5. Categories of customer relationships

	Channel phase	What to do in the channel phase?
1	Awareness	How do we raise awareness about our company’s products and services?
2	Evaluation	How do we help customers evaluate our organization’s Value Proposition?
3	Purchase	How do we allow customers to purchase specific products and services?
4	Delivery	How do we deliver a value proposition to customers?
5	After sales	How do we provide post-purchase customer support?

Source: Osterwalder & Pigneur (2010)

Channel functions are for the following:

- To raise awareness among customers about a company’s products and services,
- To help customers to evaluate a company’s value proposition,
- To allow customers to purchase specific products and services,
- To deliver a value proposition to costumers, and
- To provide post-purchase customer support.

It is of huge importance to find the right mix of channels to satisfy how customers want to be reached when bringing a Value Proposition to market. The right mix of channels can also maximize the company revenue.



1.3.7. Revenue streams

Revenue streams are related to the earnings a business gets by subtracting the costs from the revenue generated from each customer segment. A company must analyse where the revenue comes from and who will pay for what value and when. It must also define margins in each market and find out the reasons they derived.

The methods that can be used are the following (Osterwalder & Pigneur (2010):

A. *Asset sale*

This kind of sale refers to the transfer of ownership rights of a physical product from the seller to the buyer.

B. *Usage fee*

This kind of fee is usually charged by service providers to customers for the use of the service. A doctor may charge the patient according to the number and nature of treatments the patient undergoes while under his care.

C. *Subscription fees*

When a user requires long-term or continuous access to the products of a company, they pay a subscription fee. For example, a gym may sell a yearly membership subscription to its customer.

D. *Lending/ renting/ leasing*

Some organizations provide their customers with exclusive rights to their product for a limited amount of time for a set fee. Upon the end of this period, the organization regains ownership of the product. The company enjoys recurring revenue from the customer for the mentioned period, while the customer has exclusive access to the product for the time he/ she require it without having to make a hefty investment.

E. *Licensing*

Licensing is generally used when we are talking about products, services, or ideas that fall under the parameter of intellectual property. It is common in the technology industry for patent holders to license the use of patents to other companies and to charge a licensing fee for it.

F. *Brokerage fee*

When a company acts as an intermediary to ease the communication and transaction between two or more parties, they charge a brokerage fee. An example of this is when an employment firm matches a candidate to an organization looking for a particular skill set. The firm usually charges a percentage of the gross salary from the organization, the candidate, or both.

G. *Advertising*

Companies earn a fee through promoting another organization, product, or service, and charge an advertising fee for their service. Traditionally, this kind of revenue was common only in the advertising industry. However, in recent times, with the boom of the internet and e-commerce, many websites are also using this as a main revenue stream.

The reason for listing these details is to evaluate whether it is profitable for your business even to opt for a revenue stream or not.



1.3.8. Value propositions

***Value proposition** describes the benefits customers can expect from your products and services. A product may obtain a single value proposition or more. The value proposition provides value through various elements.*

Elements of value proposition are explained as follows:

1. Newness

Some value propositions are based on the newness or novelty factor that they provide. This element usually comes into play for technology-intensive products.

2. Performance

Better performance has been the hallmark of many product offerings over the years with most industries managing to thrive for decades on improved performance versions of the same products.

3. Customization

Modern consumers believe in self-expression and individualism. They expect the products they use to be an extension of their personality and a medium through which they can communicate their values and priorities to the world.

4. Getting the job done

When a product helps a consumer or business reach the end goal, its value proposition is getting the job done. A product whose value proposition is 'getting the job done' enhances the customer's productivity and helps the customer to focus on more relevant details.

5. Design

Most clothing labels rake in a higher price tag because of the superior design they have.

6. Brand/ Status

Design and brand/status can be clustered together, because their appeal is quite similar. People will show loyalty to a design because of the perceived status the brand name itself lends to the owner or user.

7. Price

One of the most common elements a value proposition is based on is price. There are many companies that enter into the market with the premise that they are providing a product or service which is cheaper than the existing options in the market.

8. Cost Reduction

Products and services catered towards enhancing customer experience by reducing the cost a customer would ultimately incur by catering to the cost reduction value proposition. Technology has played a great role in helping consumers reduce costs.



9. Risk Reduction

The less risk associated with purchasing a product or service, the more value a customer derives from it. A reduction of the risk associated with a purchase provides peace of mind to a consumer.

10. Accessibility

Another key ingredient for an effective and robust value proposition is making a previously inaccessible product or service available to a consumer segment. Innovative technologies and variations in business models have both led to offering accessibility to unserved customers.

11. Convenience/ Usability

Providing a consumer with a product that increases their convenience and usability is a very strong value proposition and one on which some companies have built empires and legends around.

Having an easily communicated and recognizable value proposition is increasingly important in the modern world where people are bombarded by an overload of information from a variety of media sources and where there are numerous competitors for a company's business. Successful firms craft their unique value propositions prior to entering the marketplace and design their business operations in accord with their value propositions.



CHAPTER 2. CASE STUDIES ANALYSIS – EXECUTIVE SUMMARIES

Introduction

An important element of a business launch is a business model, which is a prerequisite for the success of an enterprise particularly in the modern times of fast paced technological, economic, market and social changes. The aim of the case study analysis (direct interviews with the entrepreneurs with the use of a written questionnaire) was to collect information from the companies on the aspect of using business models. If they have any business model applied, the ProBM partnership was interested in collecting information on which elements are crucial in business models applied in the companies. If they have not incorporated any business model so far, it was important to find out the reasons of such an attitude. The results achieved from the case study analysis are described below. The questionnaires from all partner countries are included in the Appendix in English.

2.1. Poland

The case study analysis in Poland was performed for 4 companies. Polish partner mainly asked Limited Liability Companies. One questionnaire was anonymous, because the entrepreneur did not wish to give the name of the company.

The kinds of business models that were chosen by the companies were very different, e.g., **the client-trust model, the affiliate model, and the direct sales model**. The representative of one interviewed company stated they did **not use any specific model** and this is very important information, because it turns out that in Poland few entrepreneurs use any specific business model. The knowledge on business models is very skimpy. However, they were able to indicate which elements are crucial for the company to exist. Most of the surveyed companies have indicated that relations with clients and communication channels are the most important. Other crucial elements were the following: kinds of income, key partners, key resources, and proposition of values.

The next question concerned the benefits of using business models. They seemed to be quite different. It turned out that financial sustainability and a unique reputation in the marketplace were common almost for all case studies.

On the other hand, it was interesting to observe that companies have noticed the same defeats associated with the introduction of a business model – low communication efficiency and the lack of financial stability.

As the compendium, which is planned to be developed in the project, includes the information on necessary skills and knowledge on business models, the questionnaire contained a question related to this aspect. The answers were quite varied: interpersonal relations, design of business plan, good organization of work, good contact with staff, specificity of a branch, costs



related to the branch, communication, problem solving, and management. The specificity of a branch and managements were knowledge factors.

Only one company shared its opinion about its business model in a descriptive form. According to the representative of this company, in small companies, which have less than 10 employees or most employees are retired people, the introduction of changes (e.g., a business model) is not possible.

2.2. Italy

The case study analysis in Italy was performed for 4 companies. The questionnaire collected data from enterprises with less than 10 and 50 employees. The four companies they represent are operating in the domain of software development and marketing, new technologies, and knitwear.

The kind of business models that were chosen were very different in the four companies, mainly **direct sales with affiliated** and **contract**. One case also uses **add-on** and **premium models**. The questionnaires were collected from more advanced entrepreneurs, and as in most cases in Italy, there is not much knowledge and information on business models. The four entrepreneurs cooperating in this questionnaire have also indicated key elements for the survival of the company, mainly: key partners, relations with clients, and communication channels. Other crucial elements were the following: the structure of costs and value proposition.

The next question in the questionnaire was related to the benefits of using business models. They seemed to be quite different; however, the increased control & consistency and improve operational efficiencies were the most common.

Another question concerned the skills and knowledge needed to “run” a business model in companies. The answers included different the following skills: management, communication and product innovation, practical experience, and the writing of a business plan.

The answers concerning knowledge were also different, but they mainly focused on the development of knowledge in terms of market analysis characteristics and the dynamics of their own business.

In all four questionnaires, relevant data about future planning in using business models were not collected, which included those applied at the moment or the planned use of different models.

2.3. Slovenia

The case study analysis in Slovenia was performed for 5 companies. Our Slovenian partner mainly asked self-employed types of businesses.

Only one of the businesses uses a business model – **direct sales model**, and the others stated they **do not use a business model**. All of the surveyed companies have indicated that relations with clients are the most important. Other crucial elements were the following: key partners, the kinds of income, the proposition of values, and the structure of costs. The least important are considered key resources and communication channels.



The next question concerned the benefits of using business models. The most important benefits were considered the unique reputation in the marketplace and financial sustainability. They were followed by a plan for growth and improved process communication. Increased control & consistency and the improved operational efficiencies were considered less important.

The only problems that the companies mentioned were taking orders that were too large, not enough customers, and too much trust at the beginning of their business path.

As the compendium, which is planned to be developed in the project, includes the information on necessary skills and knowledge on business models, the questionnaire contained a question related to this aspect. The answers were quite varied. The skills they find important were ICT skills, communication skills, and good organizational skills. Knowledge they find important were the knowledge of foreign languages, marketing, and practical knowledge in the field of individual business.

2.4. Greece

The case study analysis in Greece was performed for 4 companies. The kind of business models chosen by the surveyed entrepreneurs were the **low-cost model** and **direct sales model**. In Greece, it is observed that many businesses **do not use business models**, mostly because they are not aware of their existence and their value. Two entrepreneurs stated that they do not use a specific model; however, they perform actions that perhaps fall into the framework of one or more business models. Even if their knowledge on business models is limited, they were able to recognize which elements are crucial for the sustainability of the company. All entrepreneurs pointed out that the relation with clients and the communication channels are the most important elements followed by key partners and the structure of costs.

Regarding the benefits of using business models, it came up that businesses identified a lot of benefits, where financial sustainability was a common answer for all the surveyed entrepreneurs.

Moreover, it is quite interesting that the companies have noticed variable defeats by not using business model, e.g., ineffective management or vulnerability against strong competition.

When asked about necessary skills and knowledge on business models, the answers were also different, e.g., problem solving, customer relations management, and resource management. It was observed that most of these answers were affected by the identity of its company.

Last but not least, there was an obvious interest of businesses that have not used any model so far to adapt one that would improve their business development. In addition, all of the surveyed entrepreneurs stated that they have plans for growth and the expansion of their businesses.

2.5. The Czech Republic

GLAFKA made interviews in 3 Czech companies. The status of the companies was different: a Limited Liabilities Company, a Non-governmental organisation, and a self-employment company. In all the companies, **no business model was applied**. What is more worrying, in one company the staff



is not even aware that something like a business model exists. It shows that knowledge about business models is still very lacking.

Even if the companies do not use any business model, they were able to indicate key elements for the company; the relations with clients and the communication channels are perceived as most important. Moreover, the companies indicated concerns about the structure of costs, key resources, and values.

They have also seen the benefits, which can flow from the use of business models, i.e. financial sustainability, a plan for growth, and a unique reputation in the marketplace. On the other hand, they admitted that, if they do not use any business model, they can choose the wrong partners, clients, or they can simply have too few clients. Therefore, the use of a business model was perceived as a very important factor in the company development and existence.

The last question concerned skills and knowledge that are necessary for developing and coping with business models. As far as it concerns skills, the entrepreneurs indicated, e.g., management skills, to be open-minded, to be familiar with legal acts on business models, business model strategy, competition on the market, and types of customers.

In connection to knowledge, they mentioned, among others, the following: economic knowledge, business law, types of business models, competition analysis, and customer and segmentation analysis. They are then linked very strongly to the aforementioned skills.



CHAPTER 3. QUESTIONNAIRE RESULTS ANALYSIS – EXECUTIVE SUMMARIES

Introduction

The aim of this questionnaire was to gather information from the target groups about necessary skills and knowledge for being familiar with the topics of business models.

The target groups were the following:

- (1) Adults willing to change their place of work and launching their own business;
- (2) The unemployed adults thinking of starting up their own business activity; and,
- (3) Adults who just wish to extend their knowledge on business models.

The aspects included in the questionnaire are presented below.

Key element 1: KEY PARTNERS						
No.	SKILLS	KNOWLEDGE	Very important	Important	Not important	Unnecessary
1	to make networking and strategic alliance	Networking and strategic alliance				
2	to solve problems in a partnership	Problem solving				
3	to speak in public	Public-speaking				
4	to manage in terms of key partners with the use of rules of competitiveness and cooperation	Competitiveness and cooperation issues				

Key element 2: KEY RESOURCES						
No.	SKILLS	KNOWLEDGE	Very important	Important	Not important	Unnecessary
1	to identify the main resources (physical, intellectual, human, financial) of a company	Main resources of a company				
2	to manage resources	Resources management				

Key element 3: STRUCTURE OF COSTS						
No.	SKILLS	KNOWLEDGE	Very important	Important	Not important	Unnecessary
1	to assess the situation of	Financial situation of				



	a company in a financial aspect	a company				
2	to estimate the costs of a company	Estimation of costs of a company				
3	to indicate the categories of costs	Categories of costs				
4	to distinguish between fixed costs and variable costs	Fixed costs and variable costs				
5	to minimise loss through taking strategic decisions	Strategic decisions related to financial aspects				

Key element 4: RELATION WITH CLIENTS / COMMUNICATION CHANNELS						
No.	SKILLS	KNOWLEDGE	Very important	Important	Not important	Unnecessary
1	to communicate effectively	Effective communication				
2	to motivate the clients for joint cooperation	Motivation for joint cooperation				
3	to solve problems with the clients	Problem solving				
4	to communicate with clients through different channels	Communication channels				
5	to manage time effectively	Time management				
6	to develop the strategy concerning the cooperation with the clients	Cooperation strategy				
7	to accept the client's ideas if needed	Consideration clients' ideas				

Key element 5: REVENUE STREAMS / VALUE PROPOSITION						
No.	SKILLS	KNOWLEDGE	Very important	Important	Not important	Unnecessary
1	to differentiate different sources of revenue	Sources of revenue				
2	to indicate goods offered	Goods / services offered for sale				
3	to choose pricing mechanism	Pricing mechanisms				
4	to use appropriate pricing mechanism					
5	to calculate advertising, brokerage, licensing, landing, renting leasing, usage fees	Calculation of advertising, brokerage, licensing, landing, renting leasing, usage fees				



The results achieved from the questionnaires are put in the compendium as the executive summaries from each partner country. The extended analysis of the questionnaire results are attached as Appendix (only English version) to the compendium.

3.1. Poland

The Institute for Sustainable Technologies – PIB in Radom interviewed 27 people aged between 21-48 years old. 13 people represented a vocational education level, 9 of them represented a general secondary level, and 3 people represented a tertiary education level.

As far as it concerns relations with **clients** and the **communication channels**, the most important element was to communicate effectively (67%). It was the key point if we considered the communication aspect. The target group did not mention the form of communication, but at the same time, they indicated that different channels of communication were very important (59%). In general, all proposed elements seemed very important or important for the participants. Only very few of them stated that any element can be unnecessary, e.g., accepting the client's ideas, if necessary (1%).

Another aspect concerned **cost structure**. The crucial was to estimate the costs of the company (67%) and to minimise costs through taking strategic decisions (56%). The same number of the participants stated that the assessment of the situation of a company in the financial aspect was very important (67%).

Regarding **key resources**, the interviewees stated that the resource management was more important (77%) than the identification of key resources (37%). However, it was obvious that, in order to manage resources, the first necessary step was to know the types of resources.

The last key element concerned **revenue stream** and **value propositions**. The participants stated that all of the following indicated elements were very important: to differentiate different sources of revenue – 48%, to indicate goods offered – 48%, to choose pricing mechanism – 44%, to use appropriate pricing mechanism – 52%, and to calculate different forms of propositions – 55%. On the other hand, several participants stated that those elements were not necessary – 11% of all proposed elements.

The questionnaire was well adopted by the interviewees. They expressed interest in executing the project, since they were in favour of receiving the results of the whole project.

3.2. Italy

The questionnaire, which concerned the people's perception about the importance of using business models in a company or in a start-up, was responded by twenty nine (29) people. Most of the respondents were employed (62%) and represented a tertiary level of education (83%).

Regarding **key partners**, more than 50% of the respondents considered making networks and strategic alliances (62%) and problem solving (83%) as very important; while they thought speaking in



public (67%) and using rules of competitiveness and cooperation (55%) were less important than the previous ones.

Regarding **key resources**, the questionnaire showed that the respondents perceived this topic as relevant, indeed almost all of them answered that the identification of the main resources and their respective management was a very important aspect, which a company had to keep under consideration.

In the **structure of costs** area, a relevant consensus was expressed. More than 50% of the respondents considered it very important to assess the situation of a company and to minimise loss through strategic decisions. Half of them considered estimating the costs of a company, distinguishing between fixed costs and variable costs, and indicating the categories of costs as very important. Referring to the last element, few of the respondents considered it as not important (7%) and unnecessary (10%).

A significant consideration for the importance of **communication** has been shown, including both internal and external enterprise communication.

Almost all respondents felt that the aspects dealing with **revenue streams** and **value proposition** were quite important, i.e. they considered the indication of goods offered (62%) and the calculation of advertising, brokerage, licensing, landing, renting, leasing, and usage fees (55%) as very important; while sources of revenue and pricing mechanisms were considered important by most of respondents.

More generally, the respondents agreed with the statements on the business models functionality to achieve success by a company or a start-up.

3.3. Slovenia

The questionnaire was distributed among 30 people, among which 37% of the questioned fell under the age category between 20 and 30, 33% of questioned fell in the category between 31 and 40, 23% of questioned fell in the category from 41 to 50, and 7% of questioned fell in the category from 51 and up.

60% of the participants were employed and 40% of the participants were unemployed. 47% of the participants completed secondary vocational education, 17% of the participant completed general secondary education, and 36% of the participants represented a tertiary level of education.

The analysis of the questionnaire has shown that most of the people questioned considered all the included skills and knowledge very important or important. A small percentage of the participants questioned found some of the skills and knowledge not important and not even one of the participants questioned found any of the skills or knowledge mentioned in the questionnaire unnecessary.

The analysis has shown that most of the people questioned considered all of the skills and knowledge in the field of **resources, costs, communication with clients, price mechanisms, and business models** in general to be very important.



The results have shown that people of different ages, education levels, and of different employment status more or less shared opinions about the importance of the mentioned skills and knowledge in business, and they were aware that an individual had to have a lot of knowledge before starting a business in order to become a successful entrepreneur.

Moreover, the people agreed that improving skills and knowledge in the field of business models, in the field of finances, communication, and resources would help in rising the employability of individuals, and would contribute a lot in improving situation on the labour market.

3.4. Greece

Regarding the age, the most frequent age group across the sample was 18-24 years old. More than 50% of the respondents (14 of the 27) represented this age group. The second frequent age groups were 25-29 and 30-35, with a percentage of 22% (6 respondents) per each group. Only one respondent over 36 years old filled in the questionnaire.

Regarding the professional status, the majority of the respondents – 59% – were employed and 41% were unemployed at the time where they filled in the questionnaire.

With reference to the education level, the most frequent category was tertiary education (BA, MA and PhD). 74% of the respondents represented this category. 19% had a secondary vocational education level and only a 7% of the respondents had a general secondary education level.

As it became clear from the analysis, the overwhelming majority of the participants filled in the questionnaire responded to all of the questions with “important” and “very important.” A very low percentage (around 10-15%) in each question replied with “not important” and “unnecessary.” It is clear that the majority of the responses considered important or very important elements for a company, the **key partners**, the **key resources**, the **structure of cost**, the **relation with clients** and **communication channels**, the **revenue streams** and **value proposition**, the improvement of business model for the success of a company, the use of appropriate methods and tools for the design of a successful business model, and knowledge of business models and the role of this project of business models.

In addition, it came up that the age, educational level, and professional status were factors that did not play a notable role for the replies of the respondents.

After analysing these results, it was obvious that whoever wanted to get involved in the business market should firstly understand the meaning of the business model elements. Secondly, in order to succeed in a business (either as the owner or a member), it is necessary to achieve relevant skills to perform the elements of the business model.



3.5. The Czech Republic

In total, 29 respondents filled in an *online* questionnaire related to the topic of business models. Data were collected between November and December 2017. This report summarises the answers of all respondents.

Most of respondents belonged to the age group 25-29 years (13; 45%), followed by the second most frequent age group 18-24 (11; 38%). The less represented age groups were 30-35 (4; 14%) and 36+ (1; 3%). All respondents were employed while completing the questionnaire.

Vocational secondary education level was represented by 38% (11 respondents), 34% (10 respondents) represented a tertiary education level, and 28% (8 respondents) represented a general secondary education.

From the obtained results, it is obvious that most of the elements (key partners, key resources, cost structure, relations with clients / communication channels, revenue streams, and value proposition) of business models are considered as important or very important. Only a few aspects were considered as not important or unnecessary. This particularly relates to the following aspects: rules of competitiveness and cooperation (2 respondents considered them as not important), the motivation of clients for joint cooperation (2 respondents considered them as not important and one person stated it was unnecessary), and the acceptance of clients' ideas is considered as not important by 2 respondents.

Within the questionnaire, we were also interested in receiving replies to general questions about the ProBM project and business models as a whole. Within this section, the majority of respondents considered most of the questions as important or very important.

Based on the data collected, we can understand that, regardless the age or educational background, the respondents considered the understanding of business model elements as important aspects for successful business.

Therefore, for everybody who wishes to start their own business and be successful in the world of entrepreneurship, it is important to get familiar with all of the principles and to understand key elements of business models. Last but not least, in order to succeed, the entrepreneur should develop or strengthen particular skills that are necessary for the implementation of business model elements.



BANK OF ACTIVITIES – EXAMPLES



Activity 1: Your ideal business model (choose the sector)

Aims

- ✓ To design an ideal business model for your company
- ✓ To indicate challenges in designing an ideal business model

Time

40 minutes

Type of exercise

Group

Resources

Compendium

Procedure

Ask participants to present their current business models. What elements are included and which ones are omitted?

Now, ask participants to design an ideal business model for their companies.

Discuss the following questions:

1. Which elements are added to an ideal business model?
2. How close is it in comparison to the current business model?
3. Why do you have the business model, which is not ideal?
4. What efforts would you make in order to change your business model?
5. How much would the situation of your company change?
6. What does the compendium designed in the ProBM project give you while designing an ideal business model?

Discussion

Now give the same questions to other participants. Compare the answers and find out which elements are similar and which ones should be especially taken into consideration when designing a business model.



Activity 2: Your ideal business model for a lavender products shop

Aim

- ✓ To design an ideal business plan for launching a lavender products shop

Time

60 minutes

Type of exercise

Group

Resources

Compendium

Procedure

The participants are asked to use the compendium to set up an ideal business plan for a new business they wish to launch – a shop with products made of lavender.

Ask them to use the compendium to find information on setting the following key elements for their business plan:

- Which type of business model will they use for their company together with the explanation why they have chosen this particular business model?
- Choose four key elements which they will determine in their business plan that would best fit their products and plans.
- Set which partnerships they will establish during the planning of the business and explain why these partnerships are important for the success of their business.
- Set the customer types that might be interested in their products and how they will communicate with them.
- Describe the key activities of their business.
- Describe the key resources of their business.
- Discuss and make a very initial plan of the cost structure.
- Explain the strategy for the revenue streams.
- Form a basic strategy for persuading potential clients about why their products are different than others already on the market.



Discussion

The group has to present their business to other participants. Other participants take the role of a company that helps start-up businesses with initial financial investments, and the task of the group presenting the lavender shop is to persuade the company to help them launch their business and invest in it.



Activity 3: Develop the business idea

Aims

- ✓ To define your business idea using the Lean Canvas Model
- ✓ To define the main project's goals creating a Goal Matrix

Time

40 minutes

Type of exercise

Individual and group

Resources

Compendium

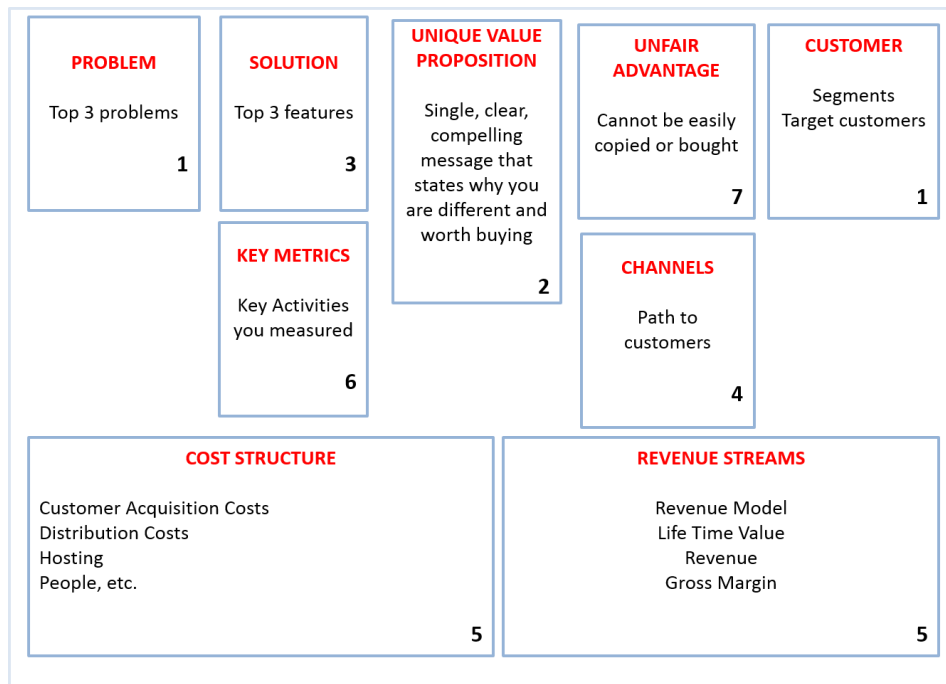
Tool: <https://www.tricider.com>

Tool: <https://canvanizer.com/>

Procedure

Start this exercise reflecting (also in group) on your business idea. To foster creative thinking, you can start the activity with a brainstorming. In the case of a group of people, you can use Tricider as a social voting tool. Each participant should suggest at least 3 business ideas defining pros and cons. Each member will vote for the best business idea.

Based on the defined business idea, complete the Lean Canvas Model.



The creation of a goal matrix will help you to define the project's goals.

Overall goal	
Target results	Control criteria/indicators
Pre-requisites	
Framework conditions	
Things that don't belong to this project ...	



Activity 4: Carrying out a market analysis

Aims

- ✓ To understand the importance of a correct market analysis
- ✓ To define the customers' needs, the main competitors and stakeholders

Time

40 minutes

Type of exercise

Individual and group

Resources

Compendium

<http://creately.com>

<https://canvanizer.com/>

Google Form - <https://docs.google.com/forms>

Procedure

Ask the participants to create a stakeholder matrix in order to define the main stakeholders for your business.

Stakeholder	Interests	Attitude	Behaviour	Measure
And one more question:				
If the project will be carried out...			If the project will not be carried out...	
What will stakeholders gain if the project is carried out? And what will they lose?			What will stakeholders gain if the project is not carried out? And what will they lose?	

Afterwards, ask the participants to analyse the main competitors and carry out a SWOT analysis related to our company using Creately or Canvanizer.

At the last stage, ask the participants to create a customer need's questionnaire with a Google form.



Activity 5: Business Plan

Aim

- ✓ To create an effective business plan for your enterprise

Time

60 minutes

Type of exercise

Individual and group

Resources

Compendium

Free business plan templates: <http://www.inc.com/larry-kim/top-10-business-plan-templates-you-can-download-free.html> and <https://www.score.org/resources/business-planning-financial-statements-template-gallery>

Procedure

Ask the participants to create a business plan using the following questions to make decisions about a business idea of your choice. Be sure to write out your answers...to remember your decisions and build on them.

1. How can you describe the business...in only one paragraph please?
2. What is your product, or service?
3. Who will buy it?
4. Where should you locate the business?
5. How can you attract customers?
6. What is your competition?
7. How much should you charge for the products or service?
8. What advice do you need and who can provide it?
9. How will you organize the managers and/or workers of the business?
10. How will you split the profits? Who is responsible for the losses?
11. What should you consider to be able to produce the product and get it to the customer?
12. How much money is needed to get the business started?
13. How many customers will you have per month and how much will they buy per month?
14. How much does it cost to make the product or provide the service?
15. What are your operating costs? (Include your own salary)



16. How much money will your business earn each month by selling your product or service?
17. How much investment will you need to keep the business going until you make a profit?
18. What is your potential profit per year for Year I, Year II, and Year III?
19. How much money do you need to borrow to start this business?
20. How will you make the business grow in the future?



Activity 6: Business Model

Aim

- ✓ To create a small business model for an enterprise

Time

60 minutes

Type of exercise

Workshops

Resources

Compendium

Business Model Canvas

Procedure

Each participant will receive a business model canvas, and they will discuss what they know or understand – team discussion.

Each participant will receive a small piece of paper, and they will write their business ideas (1-3 ideas per person). Then, they will split in small groups (4-5 people) based on their ideas, and they will fill the business model canvas and present their business model to the rest of the group.

Every element should be easily described by answering the following questions. Ask the participants to try to answer all the questions when thinking of your business model.

Key partners	<ul style="list-style-type: none"> ✓ Who are your key partners/suppliers? ✓ What are the motivations for the partnerships?
Key activities	<ul style="list-style-type: none"> ✓ What key activities does your value proposition require? ✓ What activities are important the most in distribution channels, customer relationships, and revenue stream?
Value	<ul style="list-style-type: none"> ✓ What core value do you deliver to the customer?



Proposition	✓ Which customer needs are you satisfying?
Customer Relationship	✓ What relationship does the target customer expects you to establish? ✓ How can you integrate that into your business in terms of cost and format?
Customer Segment	✓ Which classes are you creating values for? ✓ Who is your most important customer?
Key Resources	✓ What key resources does your value proposition require? ✓ What resources are the most important in distribution channels, customer relationships, or revenue stream?
Distribution Channel	✓ Through which channels will your customers want to be reached? ✓ Which channels work best? How much do they cost? How can they be integrated into your and your customers' routines?
Cost Structure	✓ What are the highest costs in your business? ✓ Which key resources/ activities are most expensive?
Revenue Stream	✓ For what value are your customers willing to pay? ✓ What and how do they recently pay? How would they prefer to pay? ✓ How much does every revenue stream contribute to the overall revenues?

WORD BANK

Business model	A conceptual tool that contains a set of elements and their relationships and allows expressing the business logic of a specific firm. It is a description of the value a company offers to one or several segments of customers and of the architecture of the firm and its network of partners for creating, marketing, and delivering this value and relationship capital, to generate profitable and sustainable revenue streams (Osterwalder, Pigneur & Tucci, 2005).
Networking	Networking is related to developing relationships, which can support entrepreneurs, and in which they can provide support to others, in every area they want to (D'Souza S., Effective Business Networking Steven, 2 nd Edition, 2011).
Competitiveness	The ability of an enterprise or a nation to offer products and services that meet the quality standards of the local and world markets at prices that are competitive and provide adequate returns on the resources employed or consumed in producing them (BusinessDictionary.com).
Resources	A stock or supply of money, materials, staff, and other assets that can be drawn on by a person or organization in order to function effectively (Oxford Dictionary).
Fixed costs	A cost that does not change with an increase or decrease in the amount of goods or services produced or sold. Fixed costs are expenses that have to be paid by a company, independent of any business activity. It is one of the two



	components of the total cost of running a business, along with variable cost (Investopedia.com).
Variable costs	A corporate expense that varies with production output. Variable costs are those costs that vary depending on a company's production volume; they rise as production increases and fall as production decreases (Investopedia.com)
Revenue streams	The amount of money that it receives from selling a particular product or service (Collins Dictionary).
Brokerage	Behaviour by which an actor influences, manages, or facilitates interactions between other actors (Obstfeld, 2017).
License	An official document that gives you permission to own, do, or use something, usually after you have paid money and/or taken a test (Cambridge Dictionary).
Lending	The use of (something) on condition that it or its equivalent will be returned (Dictionary.com).
Renting	A fixed amount of money that you pay regularly for the use of a room, house, car, television, etc. that someone else owns (Cambridge.org).
Leasing	A contractual arrangement calling for the lessee (user) to pay the lessor (owner) for use of an asset (Glossary of Financial Accounting: An Intro. to Concepts, Methods, and Use 12e).
Usage fee	A kind of fee, which is usually charged by service providers to customers for the use of the service (Cleverism.com)
Assets	An item of property owned by a person or company, regarded as having value and available to meet debts, commitments, or legacies (Oxford Dictionary).
B2B – Business-To-Business	A commercial trading model by which a business supplies other businesses, and by implication does not generally supply consumers, i.e., domestic private customers (which would be B2C). A B2B provider is therefore a provider of business services or products, for example: company auditors, manufacturers of industrial machinery, conference organizers, corporate hospitality, advertising agencies, trade journals, wholesalers, warehousing and logistics, management consultancies, mining, farming, industrial chemicals, paper mills, etc. (Glossary for Business and Management).
B2C – Business-To-Consumer	Transactions in which businesses sell goods and/or services to end consumers or customers (Investopedia.com).
C2C – Consumer-To-Consumer	A marketing/business model (compare with B2B, B2C, etc.) illustrated by 'car-boot' sales, yard sales, small private ads, and more significantly E-Bay, Amazon and other big C2C internet portals, which by the end of the first decade of the 2000s had become a substantial aspect of global economics and human society, and a real threat to the long-term future of some very large corporate industries (Glossary for Business and Management).
Direct Sales Model	Marketing and selling products to consumers directly, away from a fixed retail location. Sales are typically made through party plan, one-to-one demonstrations, and other personal contact arrangements (http://articles.bplans.co.uk/starting-a-business/examples-of-well-known-business-models/1040)
Add-On Model	In this instance, the core offering is priced competitively but there are numerous extras that drive the final price up so the consumer is not getting the deal they initially assumed (http://articles.bplans.co.uk/starting-a-business/examples-of-well-known-business-models/1040)



Affiliate Model	An affiliate is someone who helps sell a product in return for commission. However they may never actually take ownership of the product (or even handle it). They get rewarded for referring customers to a retailer when they make a sale (http://articles.bplans.co.uk/starting-a-business/examples-of-well-known-business-models/1040)
Low-cost model	An extremely well established business model, where the aim is to drive significant volumes of customers (at a low customer acquisition cost) and by charging a very low price. In return, revenue is earned from a whole host of ancillary sources (http://articles.bplans.co.uk/starting-a-business/examples-of-well-known-business-models/1040)
Business Plan	A written document describing the nature of the business, the sales and marketing strategy, and the financial background, and containing a projected profit and loss statement (https://www.entrepreneur.com/encyclopedia/business-plan)
Market analysis	A study of the dynamism of the market. It is the attractiveness of a special market in a specific industry. Marketing analysis is basically a business plan that presents information regarding the market in which you are operating in. It deals with various factors (http://pestleanalysis.com/what-is-marketing-analysis/)
Lean Canvas Business Model	An adaptation of Business Model Canvas by A. Osterwalder, which A. Maurya created in the Lean Start-up spirit (Fast, Concise and Effective start-up). Lean Canvas promises an actionable and entrepreneur-focused business plan. It focuses on problems, solutions, key metrics and competitive advantages (https://canvanizer.com/new/lean-canvas)

RECOMMENDATIONS

As it can be shown in the questionnaire analysis, the overwhelming majority of the respondents filled in the questionnaire marked the questions as “important” or “very important.” A very low percentage of the respondents replied with “not important” and “unnecessary.” It means that people who want to design a business model should be aware of which aspects are necessary in order to achieve success. To collect the most crucial (basic) aspects, it seems that the entrepreneurs should consider the following questions (with proposed and possible solutions):

- Who will be our client?
- How can we create values for the clients?
- What distribution channels will be the most effective in order to attract the client?
- What price policy should be chosen?
- Which resources must be perceived as crucial?
- Which competences of the company staff should be crucial in order to have success?
- What is the position of the company on the market?
- Who will be our business partners in order to minimise risk, optimize activities, and deliver values to our clients?
- What are our ambitions?

- What are our strengths and weaknesses?
- What are the costs of our business?
- What will be the sources of the company development? The elements of mature business models are presented in Figure 1.

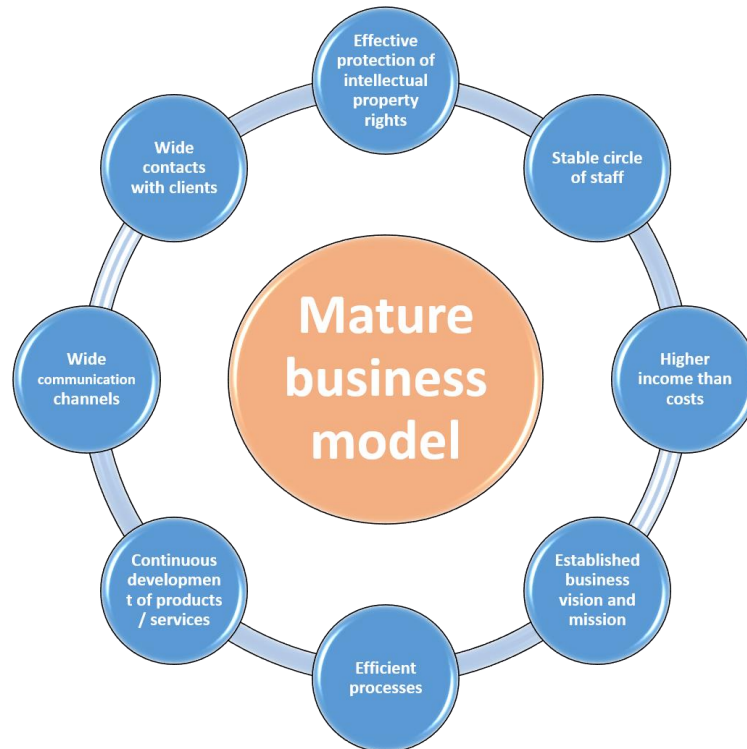


Figure 1. Mature business model

These aspects should be always taken into consideration, regardless of the age, educational level, or professional status of the entrepreneurs.

With the proper adaptations to the needs of each company, business models should be included in the business literature as suggestions to achieve success in a start-up or in a business already started. What is more, business models should be suggested to company managers so that they could propose and implement them in their company.

Business models are the determinants of the company; therefore, they require detailed design and regular verification and renovation. This is very important for a company, and it would enable it to keep a strong position on the market in times of economic, social, and technological changes.

However, the first and the most important statement is the following: *"The single biggest problem in business is staying with your previously successful business model... one year too long"* (Lew Platt, CEO of Hewlett-Packard). That means that the companies must change their business models regularly in order to adapt them to the requirements of the current market.



ANNEX 1 – INTERNATIONAL REPORT – NATIONAL SURVEY¹

INTRODUCTION

“*Understanding and Developing Business Models (ProBM)*” is an Erasmus+ strategic partnership project, executed in the years 2016-2018 and focused on exchanging good practices and developing the compendium on business models. This survey was implemented in 5 EU countries (Poland, Greece, Italy, Slovenia, The Czech Republic), participating in this project. This report presents the results of the survey (with the use of the questionnaire), which took place in 5 partner countries.

The aim of this questionnaire was to gather information from the target groups about necessary skills and knowledge for being familiar with the topics of business models.

A business model is a conceptual tool that contains a set of elements and their relationships and allows expressing the business logic of a specific firm. It is a description of the value a company offers to one or several segments of customers and of the architecture of the firm and its network of partners for creating, marketing, and delivering this value and relationship capital, to generate profitable and sustainable revenue streams

(Osterwalder, Pigneur & Tucci, 2005).

- ✓ A business model is a conceptual tool that contains a set of ELEMENTS.
- ✓ The following sections refer to each ELEMENT.

The interviewees, according to their beliefs, indicated the importance of skills and knowledge for a successful business.

The research gathered between 27-30 respondents who filled in questionnaire (*on-line* or directly) dealing with questions of the topics of business models. The Greek, the Italian, and the Czech partners applied to the *on-line* questionnaire, and the Polish and the Slovenian partners interviewed the target group directly.

The survey took place between November 2017 and January 2018. This report summarises the answers of the whole sample.

1. THE SAMPLE

As it can be seen in Figure 1, the **age** of the participants was diversified. It can be observed that the research included many young people (18-24 years old); however, people around 30-40 also took part in the research.

¹ The national survey is available only in English.

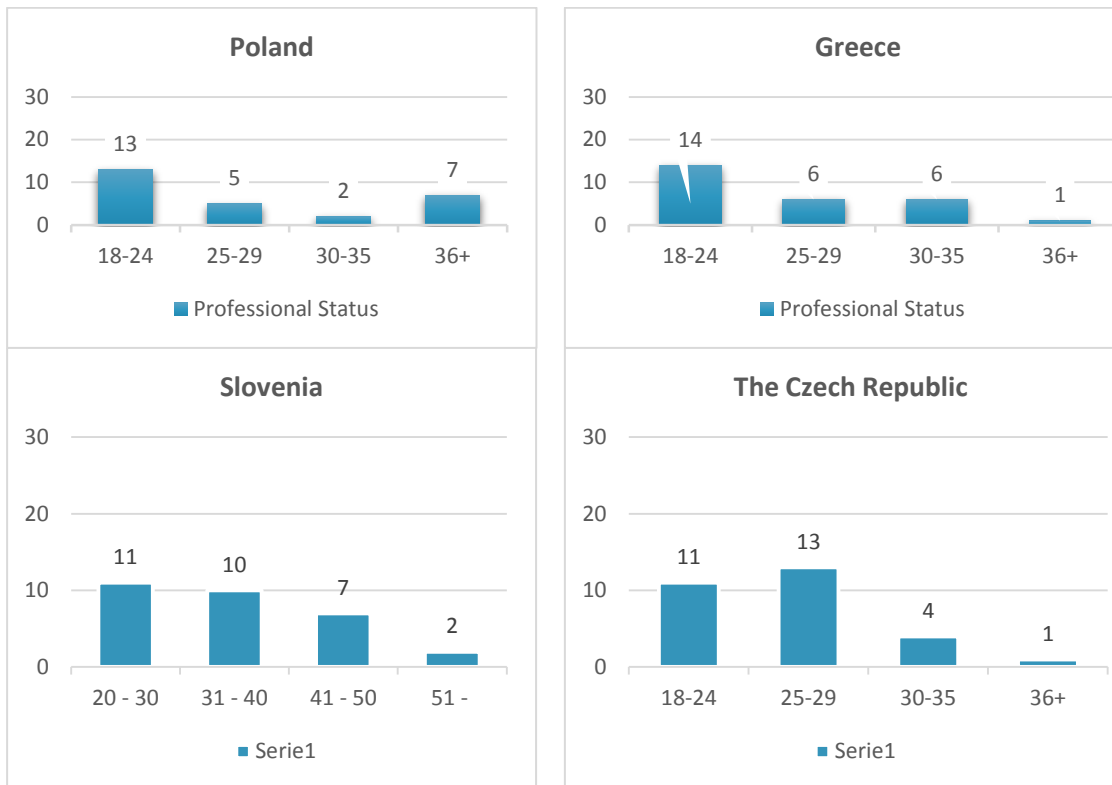


Figure 1. Age of the participants

Regarding the **professional status** of the participants (Figure 2), the majority of the respondents were employed. The Polish and the Czech partners did not interview any unemployed persons. In Italy and in Slovenia, 40% of the population was unemployed, and in Greece, 39% was unemployed.

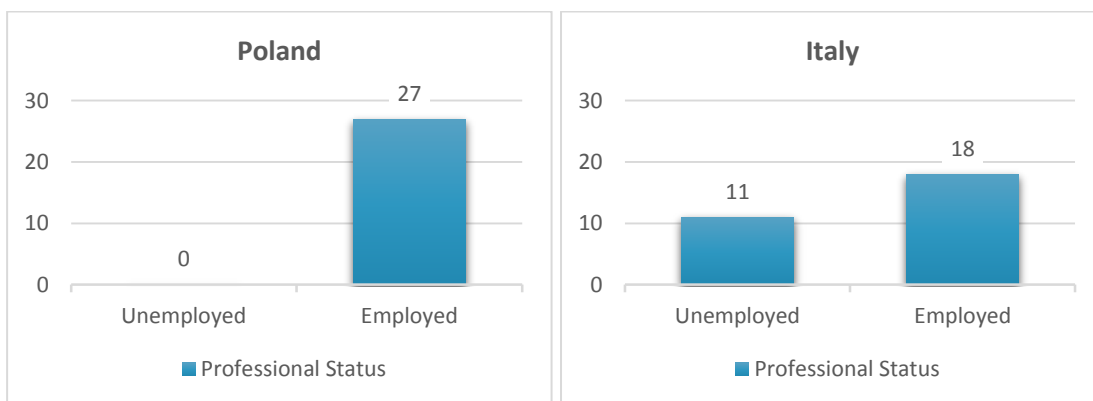
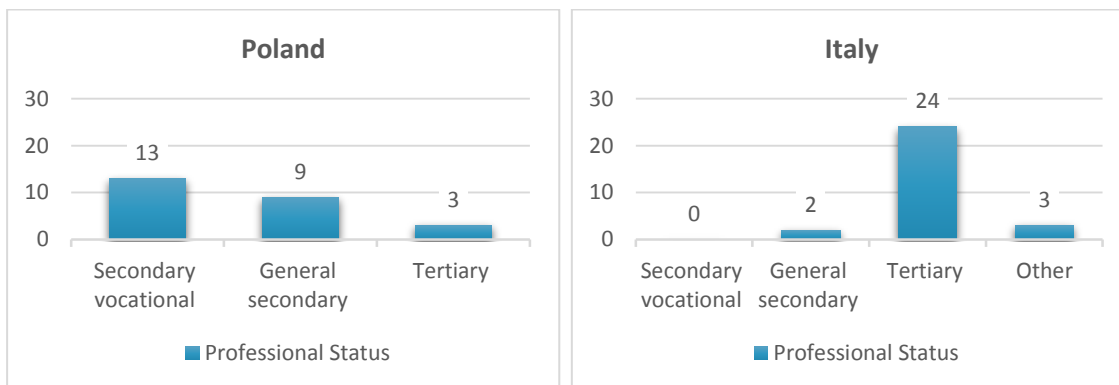




Figure 2. Professional status of the participants

In relation to the **educational level** of the participants (Figure 3), the most frequent category in Greece, Italy, and The Czech Republic was tertiary education (adequately 74%, 83% and 35%). In Poland and in Slovenia, the educational level mainly included secondary vocational and general secondary levels.



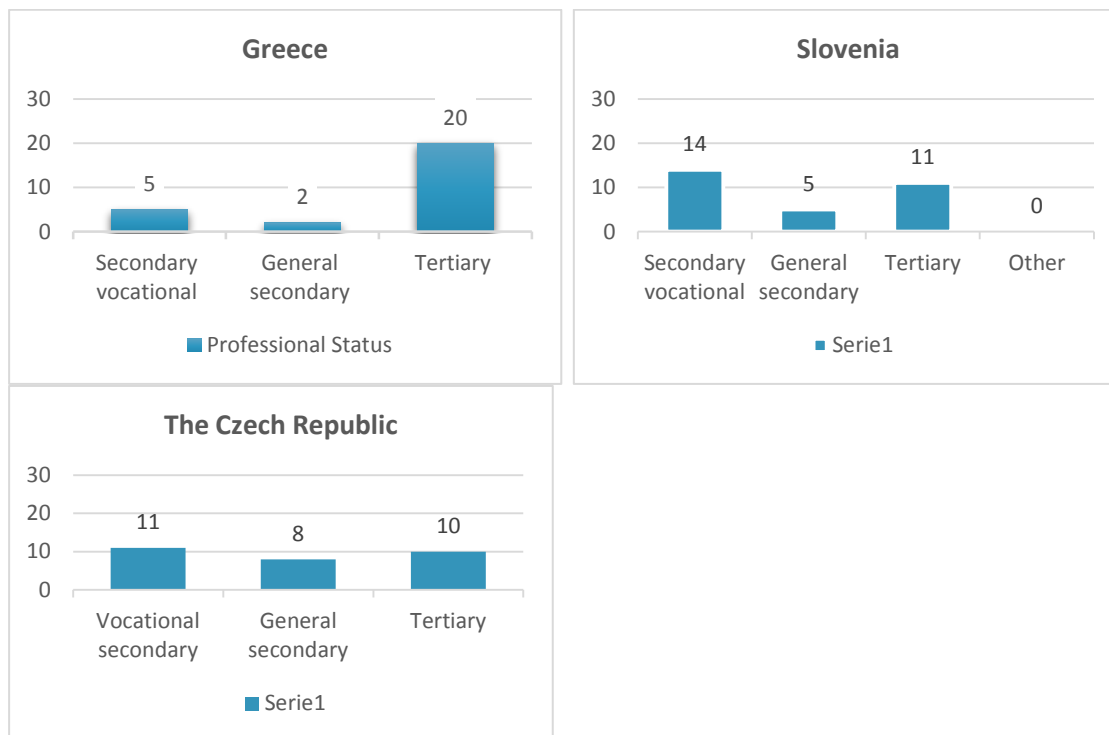


Figure 3. Educational level of the participants

2. OVERALL RESULTS

This questionnaire was divided into six main blocks. The first block deals with key partners; the second block deals with key recourses; the third block deals with the structure of cost; the forth block deals with relations with clients and communication channels; the fifth block deals with revenue streams and value proposition, and the last block included general questions related to the topic of business models.

BLOCK 1: KEY PARTNERS

The first part (Figure 4) of this block concerned networking and strategic alliance. As it can be shown, making networking and strategic alliances was important for the majority of the respondents for whom it was either very important or important. Only few of them said that it was unimportant or unnecessary.

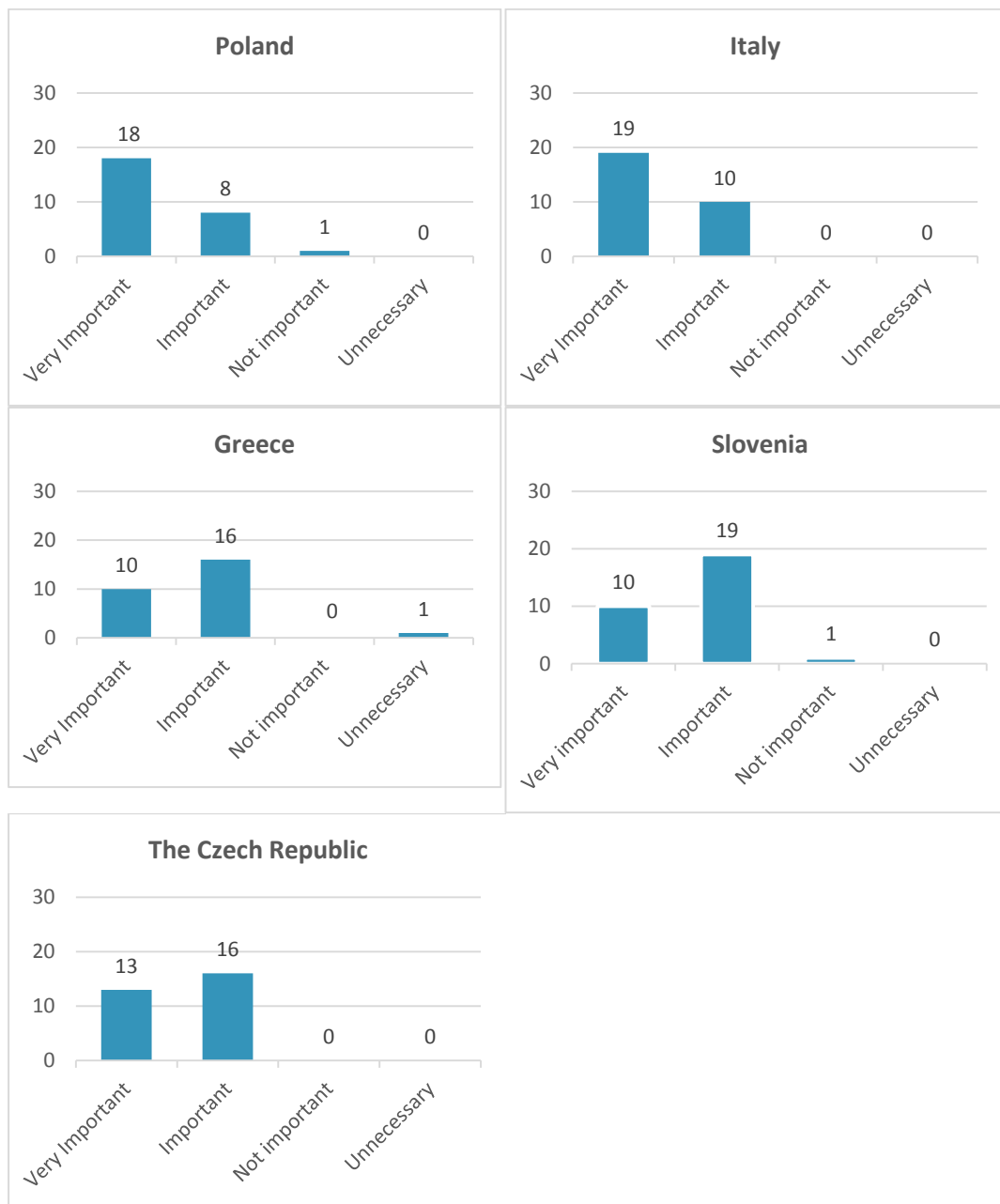


Figure 4. Networking and strategic alliance

The second question (Figure 5) was related to problem solving in a partnership. The majority of the respondents (adequately: Poland – 56%; Italy – 83%; Greece – 63%; Slovenia – 50% and The Czech Republic – 38%) said that it is very important to solve problems in a partnership. The rest of the participants stated that this aspect is important. Only 3 people in Greece and Slovenia admitted that solving problems in a partnership is not important.

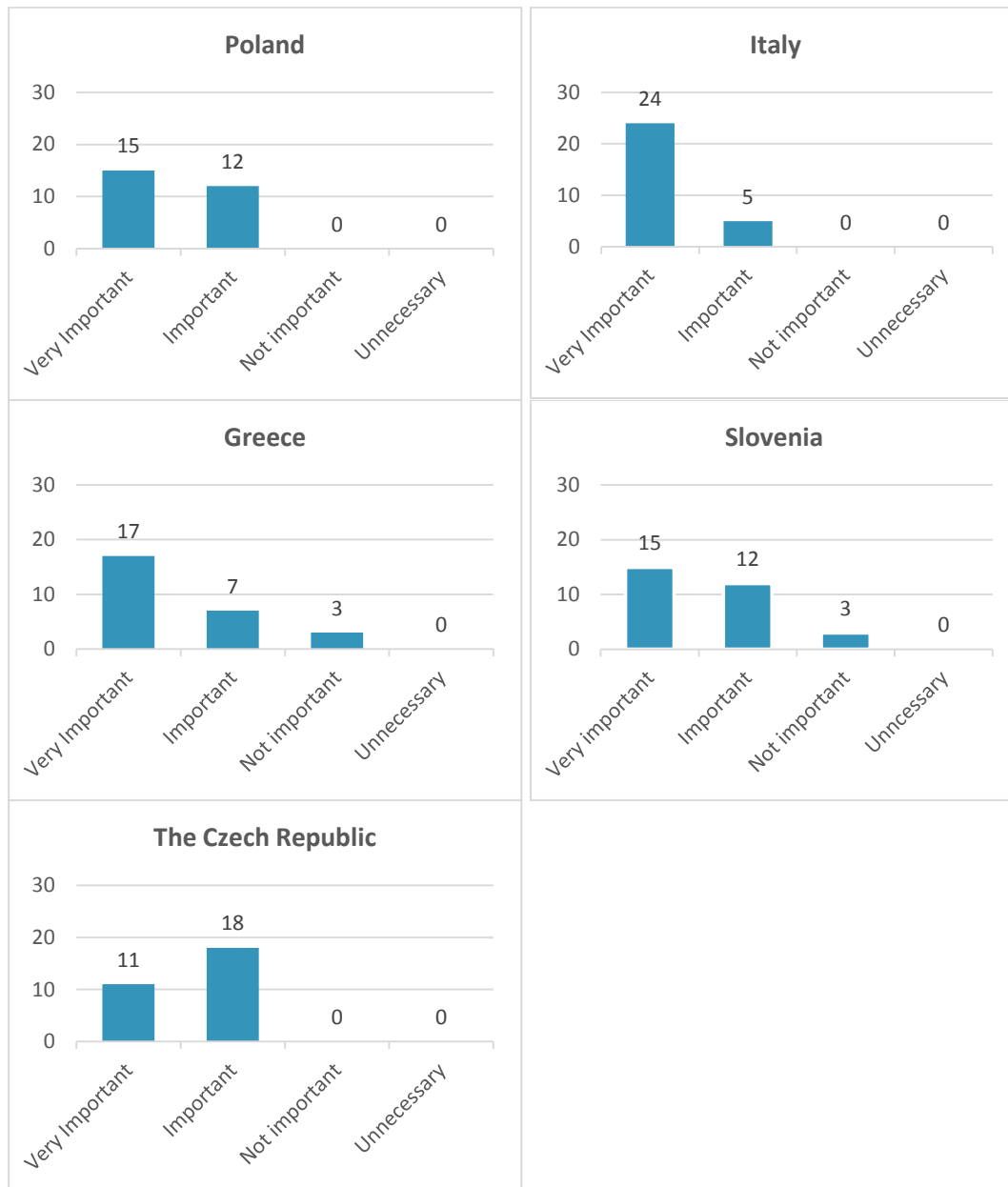


Figure 5. Problem solving in a partnership

The third question (Figure 6) was related to public-speaking. The majority of the respondents said that public-speaking skills are important. What was interesting, this aspect seemed to be unimportant for 44% of the participants in Poland, 19% of the participants in Greece and 6% of the participants in Slovenia. In Greece, even 7% of the participants stated this skill is unnecessary.

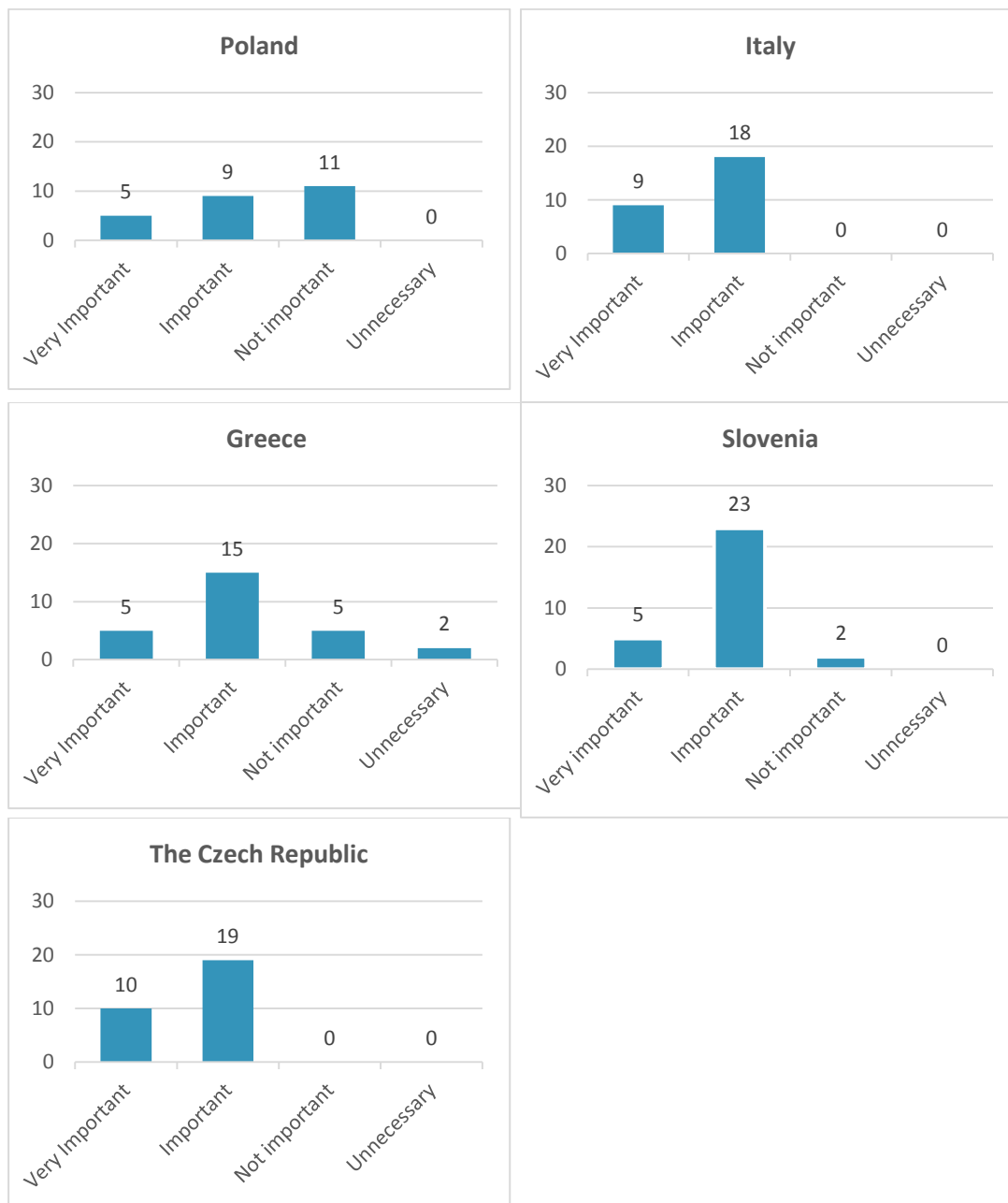


Figure 6. Public-speaking

The last question of this block (Figure 7) concerned competitiveness and cooperation issues. The majority of the respondents said that it was important in order to manage in terms of key partners with the use of rules of competitiveness and cooperation.

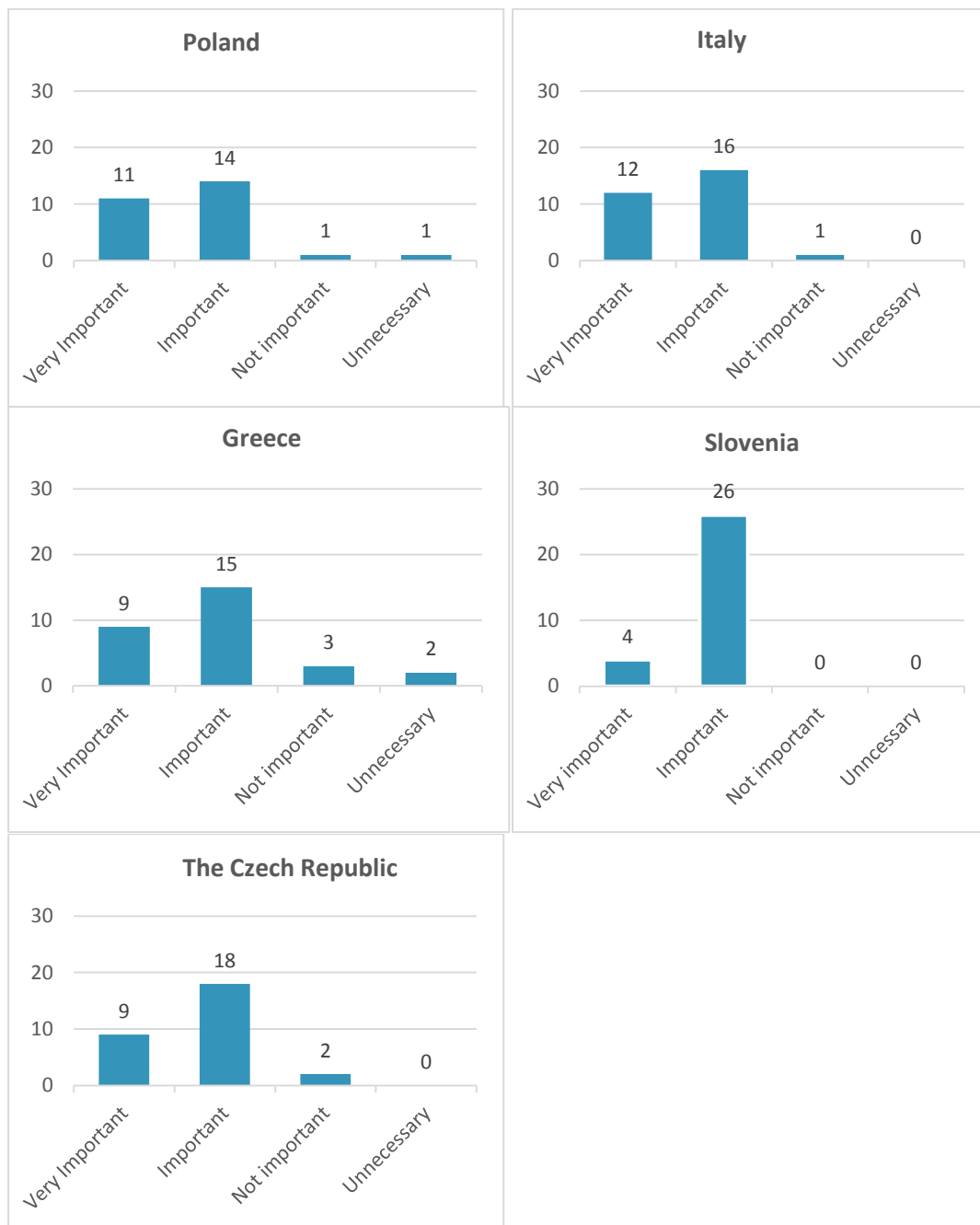


Figure 7. Competitiveness and cooperation issues

To sum up, the block related to **key partners** seemed to be very important for the respondents. All presented issues were assessed as very important or important. It shows that in the process of the development of a business model, it is indispensable to consider the partners we plan to cooperate with.

BLOCK 2: KEY RESOURCES

The first question (Figure 8) of the second block concerned the main resources of a company. As it can be presented on the charts, the identification of the main resources (physical, intellectual,



human, and financial) of a company was very important for the majority of the respondents. Only in the case of Greece, 3 of them said that it was unimportant.

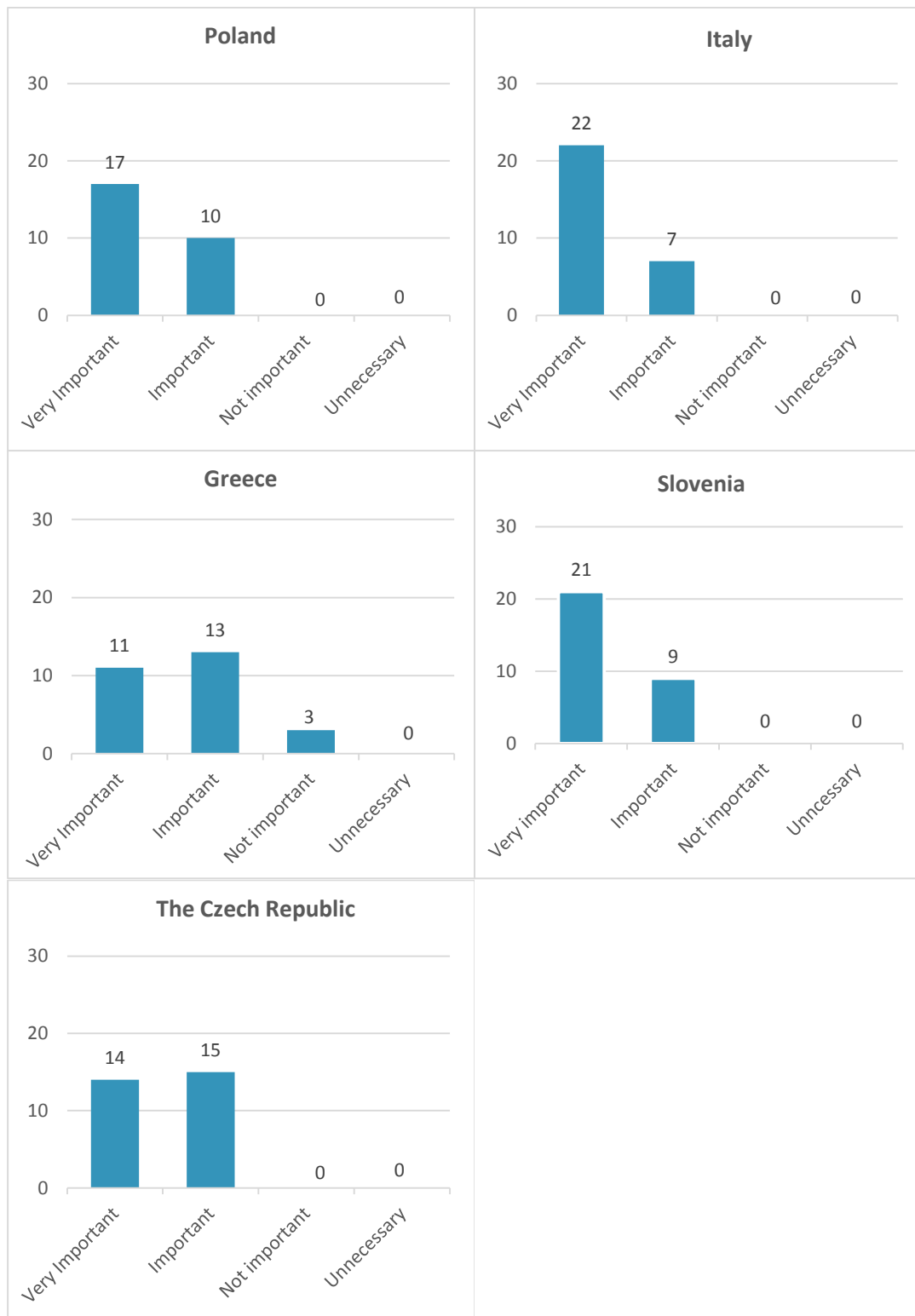


Figure 8. Main resources of a company

The second question of this block (Figure 9) concerned resource management. Similarly to the first question of this block, the majority of the respondents said that it was important or very



important to manage resources. In the case of Greece, only one person said that it was not important.

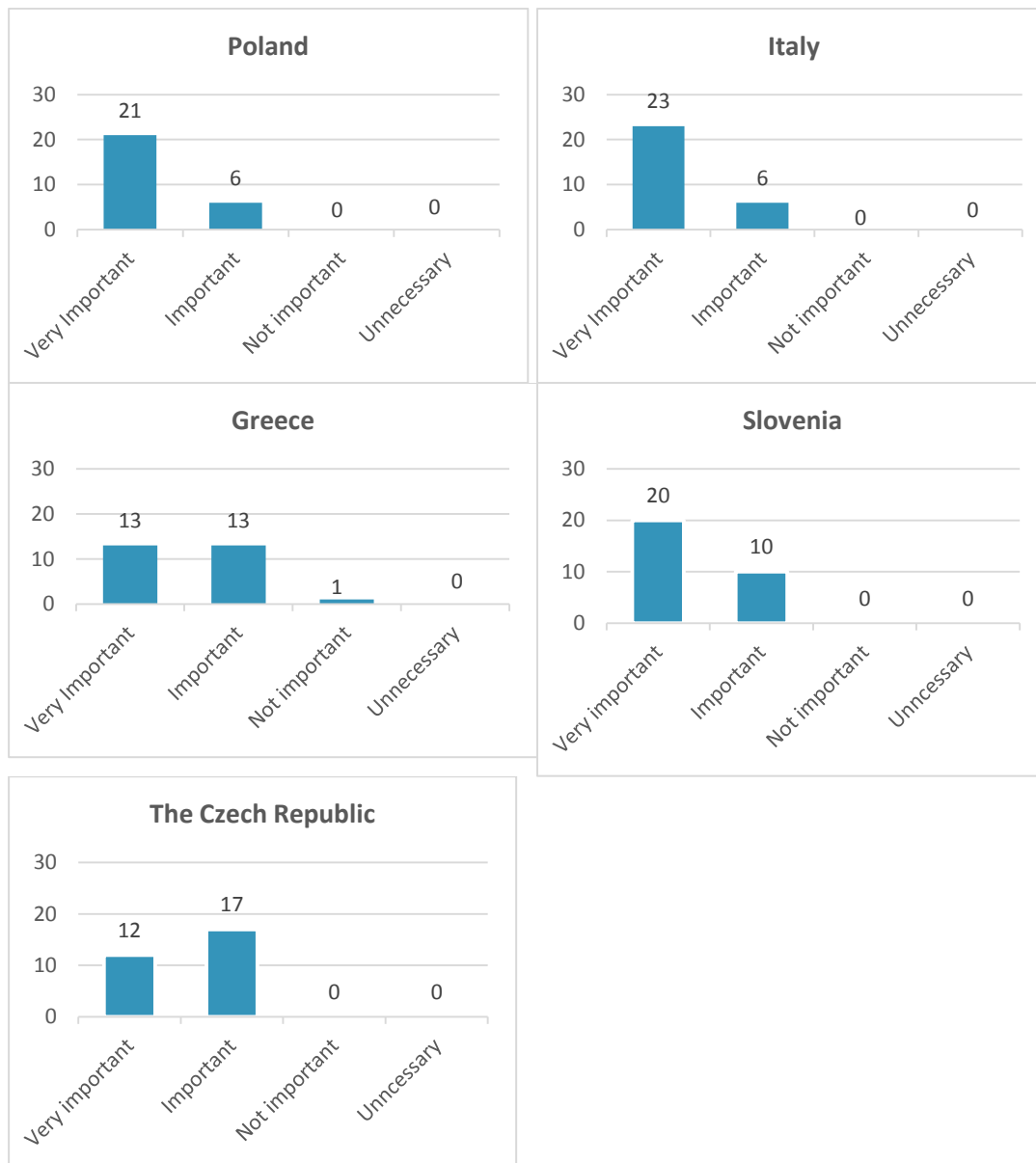


Figure 9. Resources management

The block of key resources turned out to be very important for the participants. Both the identification of resources and the management of resources should be included in the process of the development or the improvement of a business model.

BLOCK 3: STRUCTURE OF COSTS

In this section, the respondents were asked for the structure of costs in a company. The first question (Figure 10) of this block concerned the financial situation of the company. The majority of respondents said that it is either very important (respectively: Poland – 58%; Italy – 66%; Greece –



33%; Slovenia – 63%, The Czech Republic – 28%) or important (especially The Czech Republic – 72%) to assess the situation of a company in the financial aspect. Only 1 person in Poland, 1 person in Slovenia, and 3 people in Greece said that it was not important.

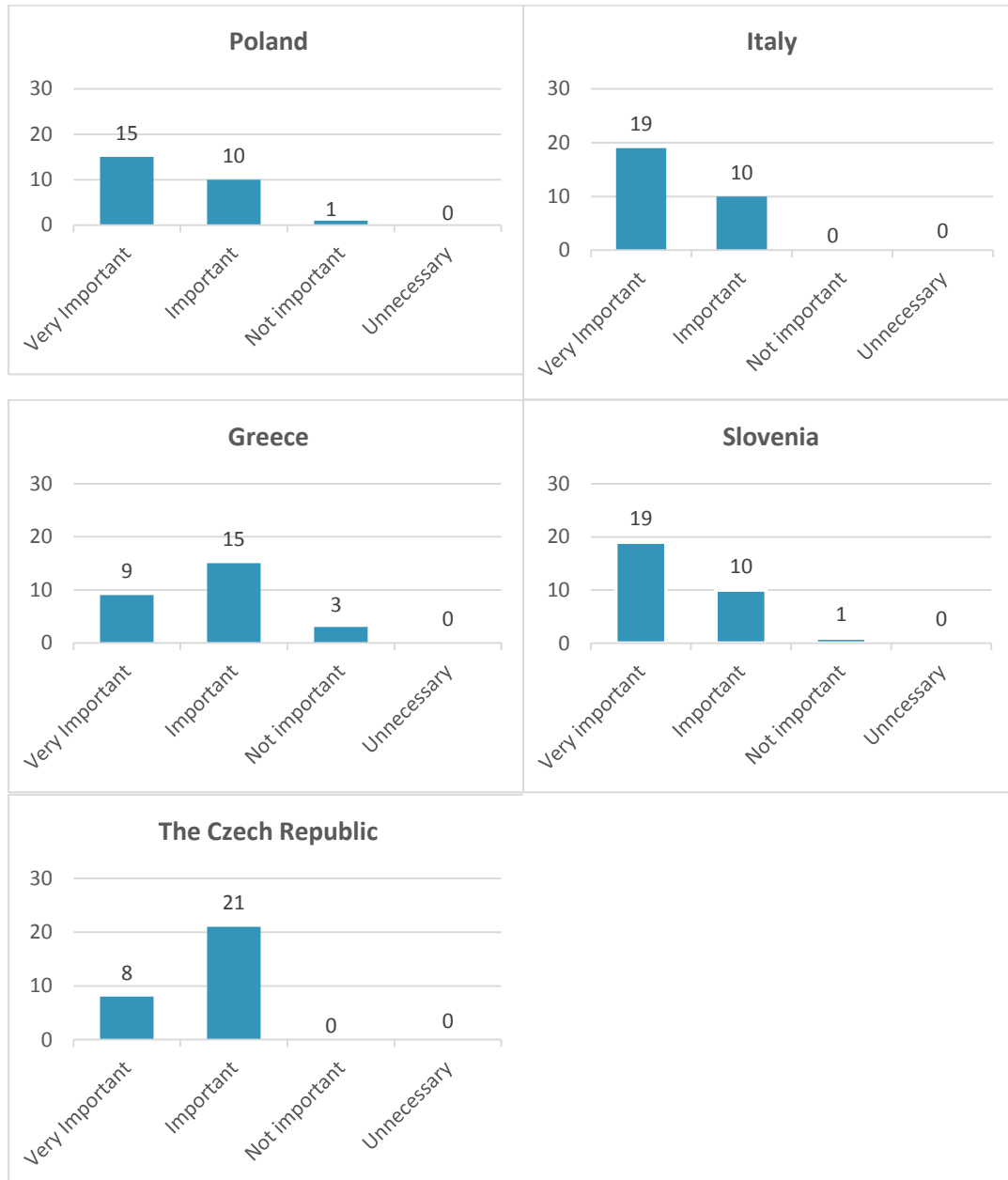


Figure 10. Financial situation of a company

The second question (Figure 11) concerned the estimation of costs in the company. 63% of the respondents said that it was very important to estimate the costs of the company, whereas 36% of them said that it is important.

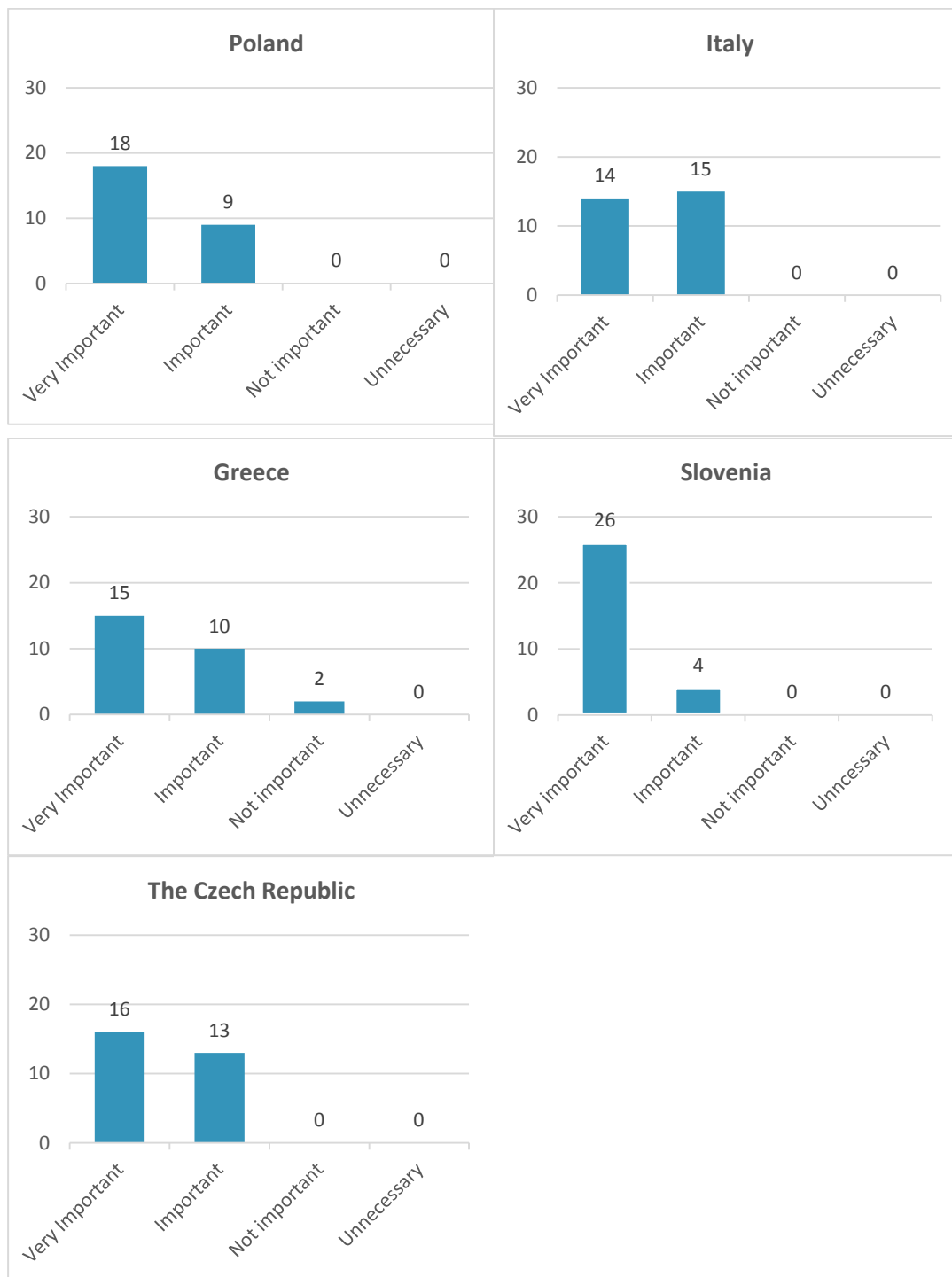


Figure 11. Estimation of costs in the company

The third question (Figure 12) was related to the categories of costs. The responses of the participants were quite diversified. Most of them stated that this aspect was very important and important; however, several people perceived this aspect as not important (11% in all partner countries) or even unnecessary (5%).

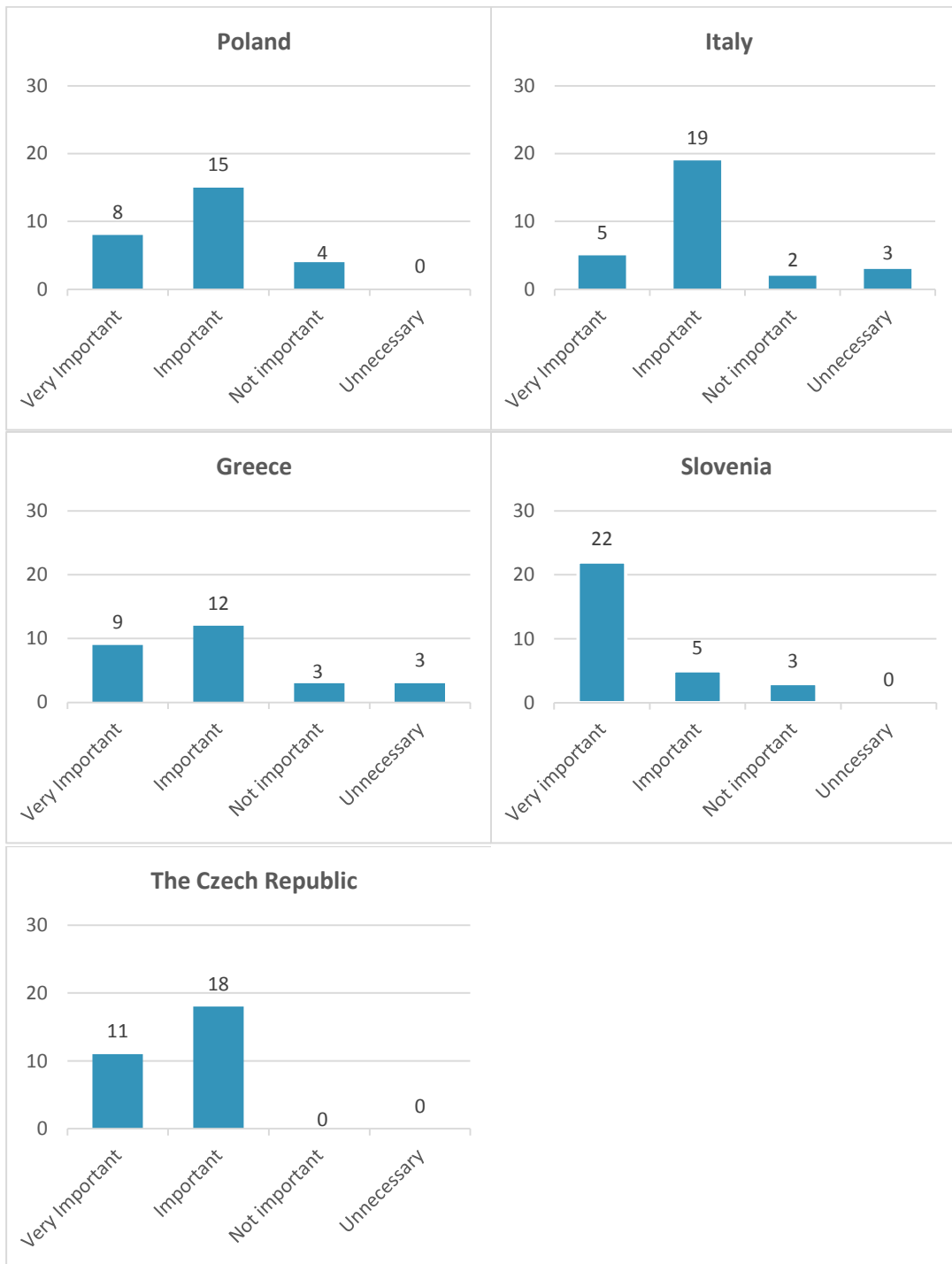


Figure 12. Categories of costs

The fourth question (Figure 13) of this block concerned the differentiation between fixed and variable costs. The majority of the respondents said that it was important to distinguish between fixed costs and variable costs in the company. Only several participants stated that it was not important (8% of the respondents in partner countries) or unnecessary (1 person in Poland).

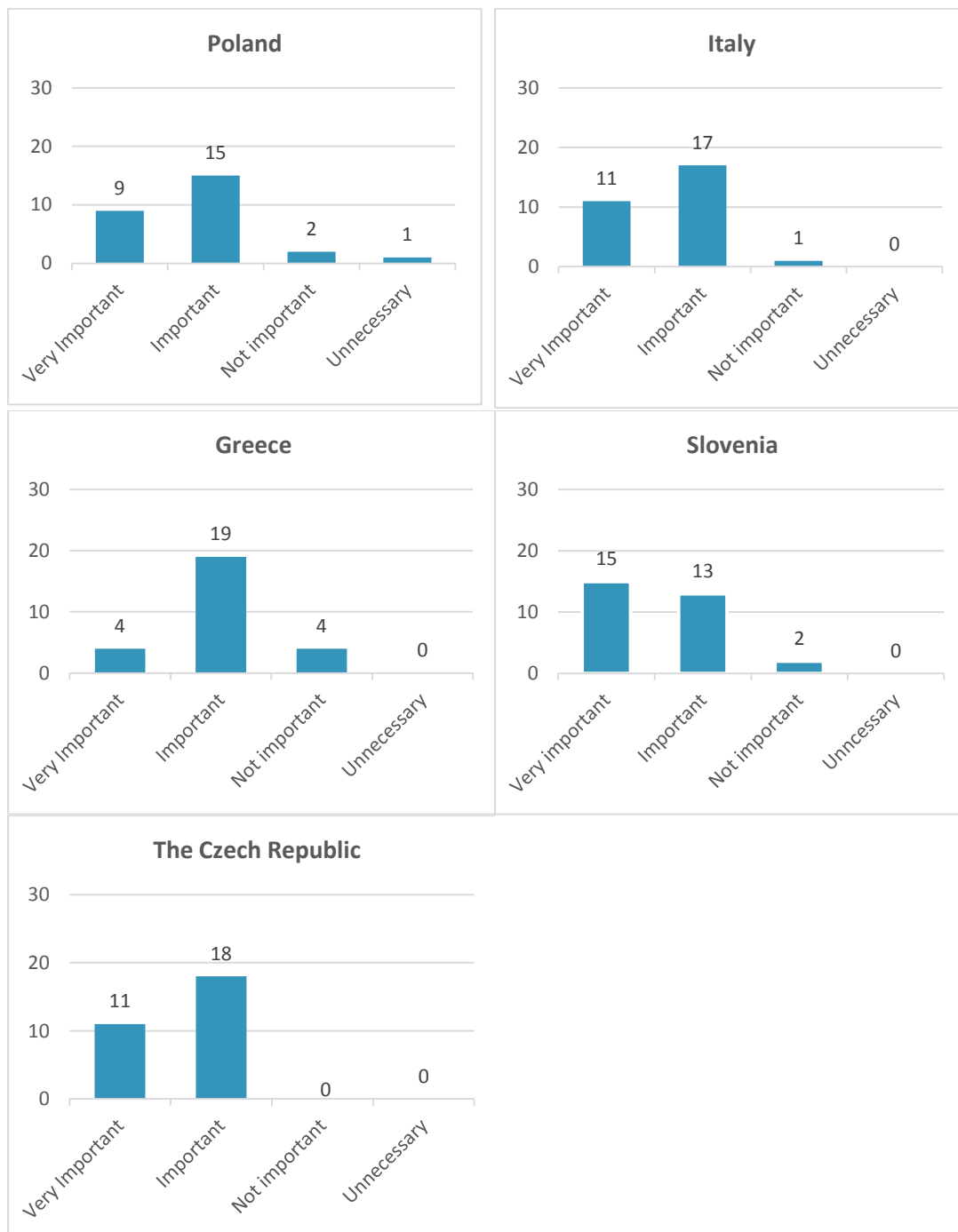


Figure 13. Differentiation between fixed and variable costs

The last question of this block (Figure 14) was related to the strategic decisions linked with financial aspects. In Poland, Italy, Greece, and The Czech Republic the aspect was either very important or important for the respondents. It was not a big difference between these two categories. Unlike these countries, in Slovenia, a large majority of the respondents stated that this issue is very important (87%).

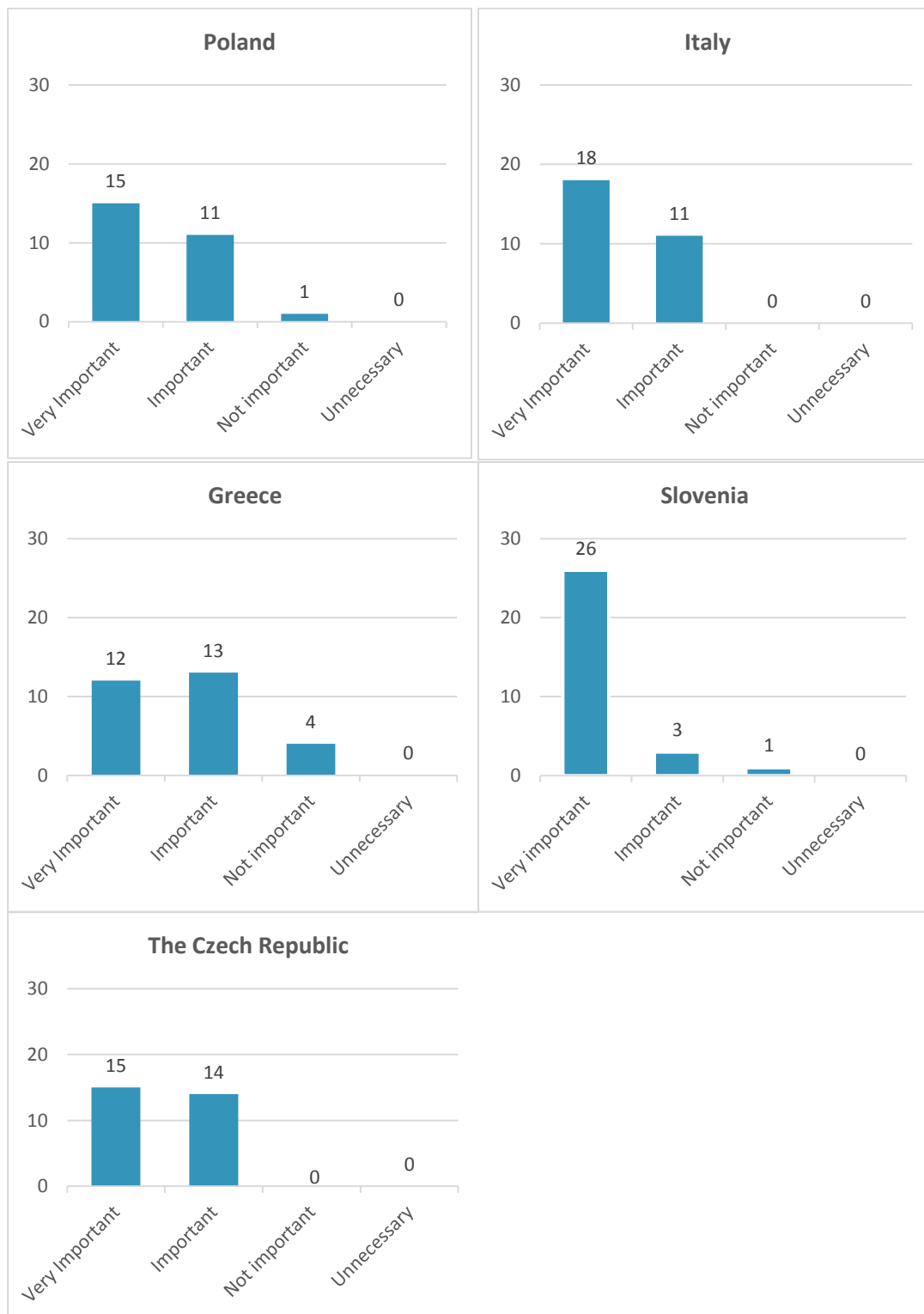


Figure 14. Strategic decisions related to financial aspects

Summarizing this part of the questionnaire, it turned out that the **financial aspects** are very necessary for the company. It is clear that without money, there is no chance to maintain business activity. It seems that the respondents are aware of the importance of financial knowledge and skills, and that is why they assessed those aspects at a high level.



BLOCK 4: RELATIONS WITH CLIENTS / COMMUNICATION CHANNELS

The first question (Figure 15) of the block related to the topic of the relations with clients and communication channels concerned effective communication. It was obvious that this aspect was very important for the majority of the respondents in all partner countries. In addition, many of them said that effective communication was important. Only 1 person in Greece and 1 person in Slovenia said that it was not important.

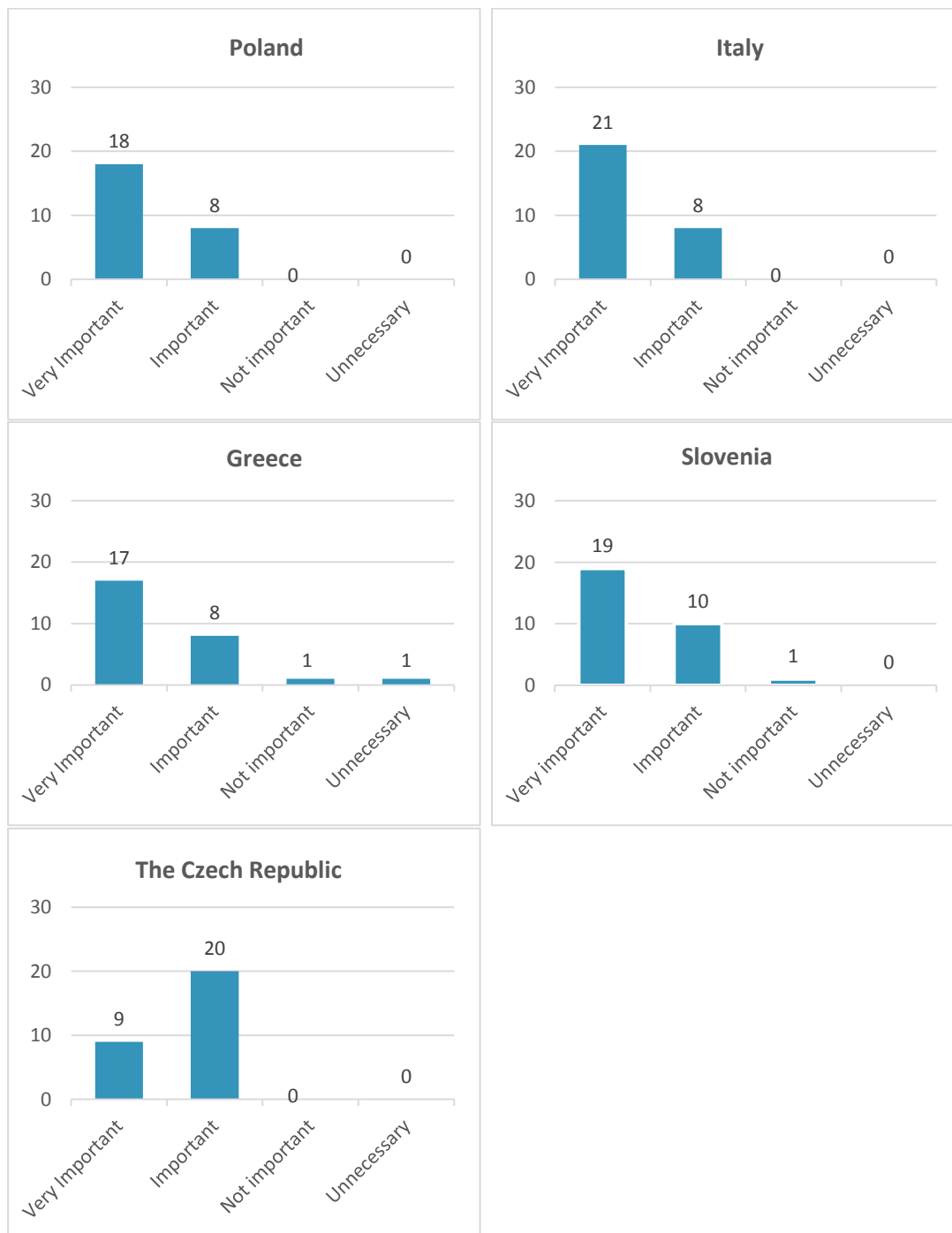


Figure 15. Effective communication



The next part (Figure 16) of this block was related to the motivation of the entrepreneurs for joint cooperation. A high percentage of the respondents in all partner countries said that it was very important or important to motivate the entrepreneurs for joint cooperation with the clients. Several respondents said that it is not important (4 people in Poland, 4 people in Greece and 2 people in The Czech Republic) and only 1 person (in Poland, Italy, Greece, and The Czech Republic) said that it was unnecessary.

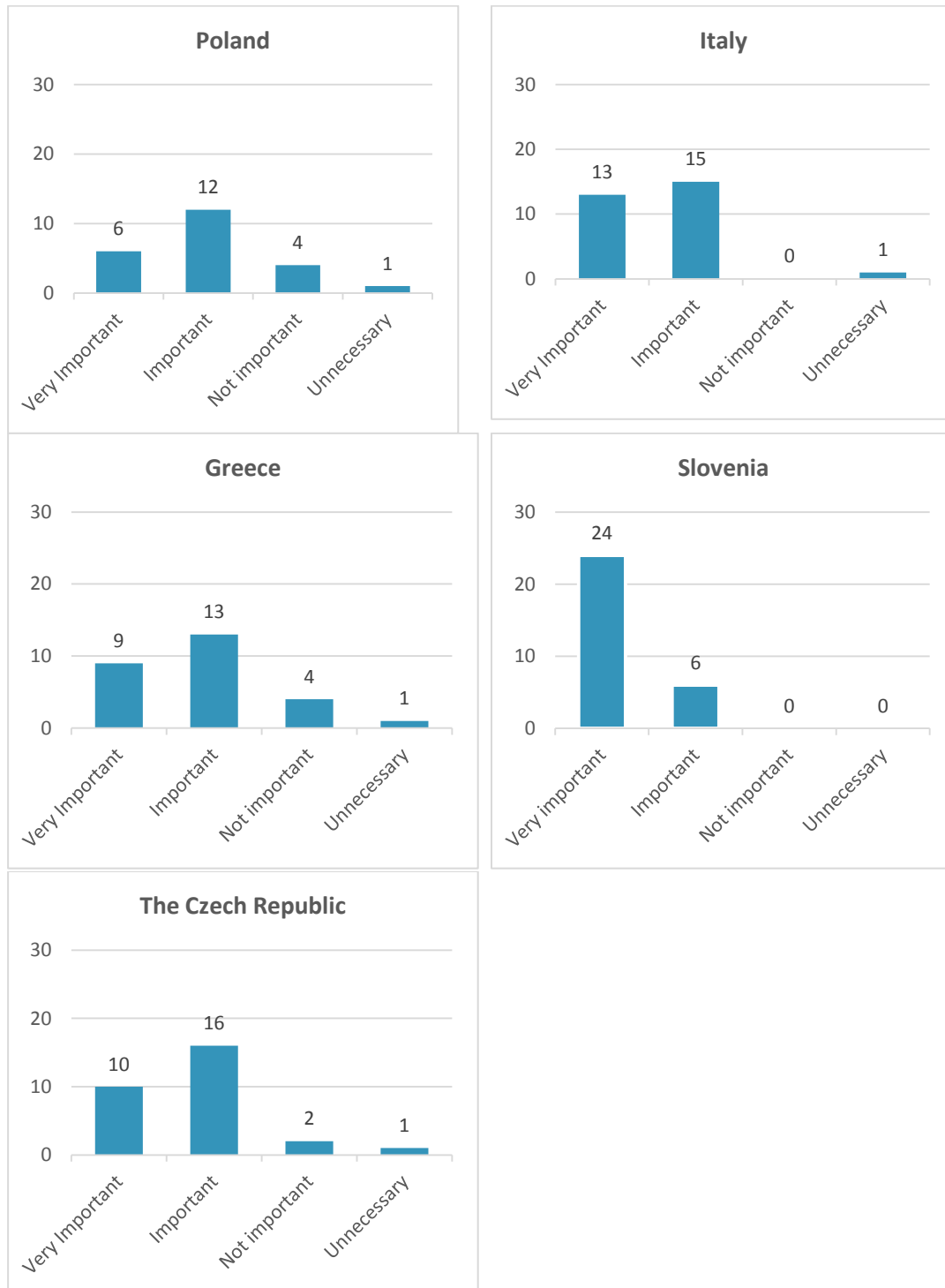


Figure 16. Motivation for joint cooperation



Communication with clients through different channels was very important or important for the majority of the respondents in all partner countries. As Figure 17 shows, only a few of them said that it was not important and unnecessary.

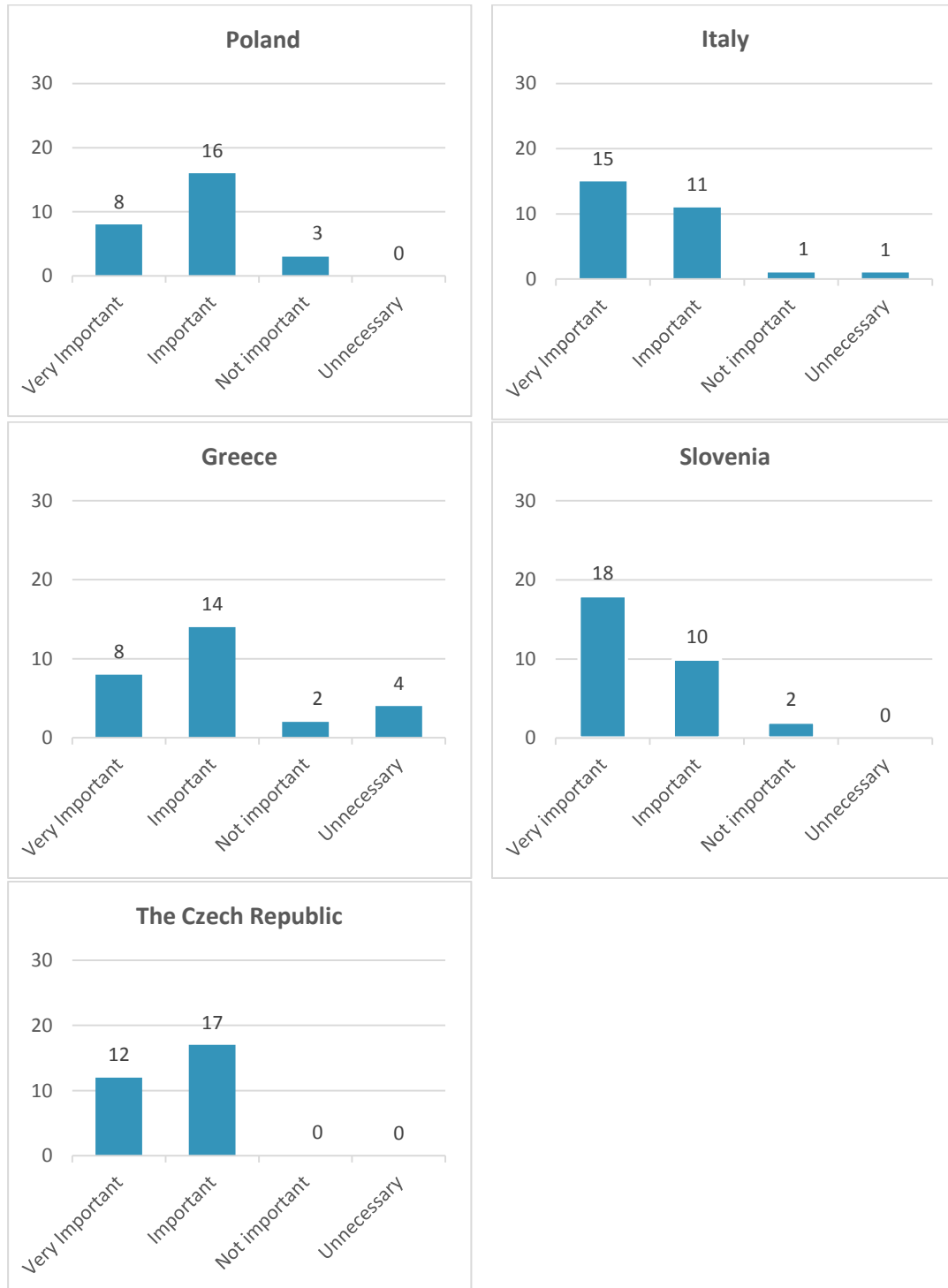


Figure 17. Communication channels with clients

The fourth question of this block (Figure 18) concerned time management issue. 57% of all the respondents said that effective time management is very important, whereas 39% of them stated



that it is important for the company. Only 4% of the participants said that it is not important. In Greece, we also can observe that 13% of people stated that time management is unnecessary for business model creation.

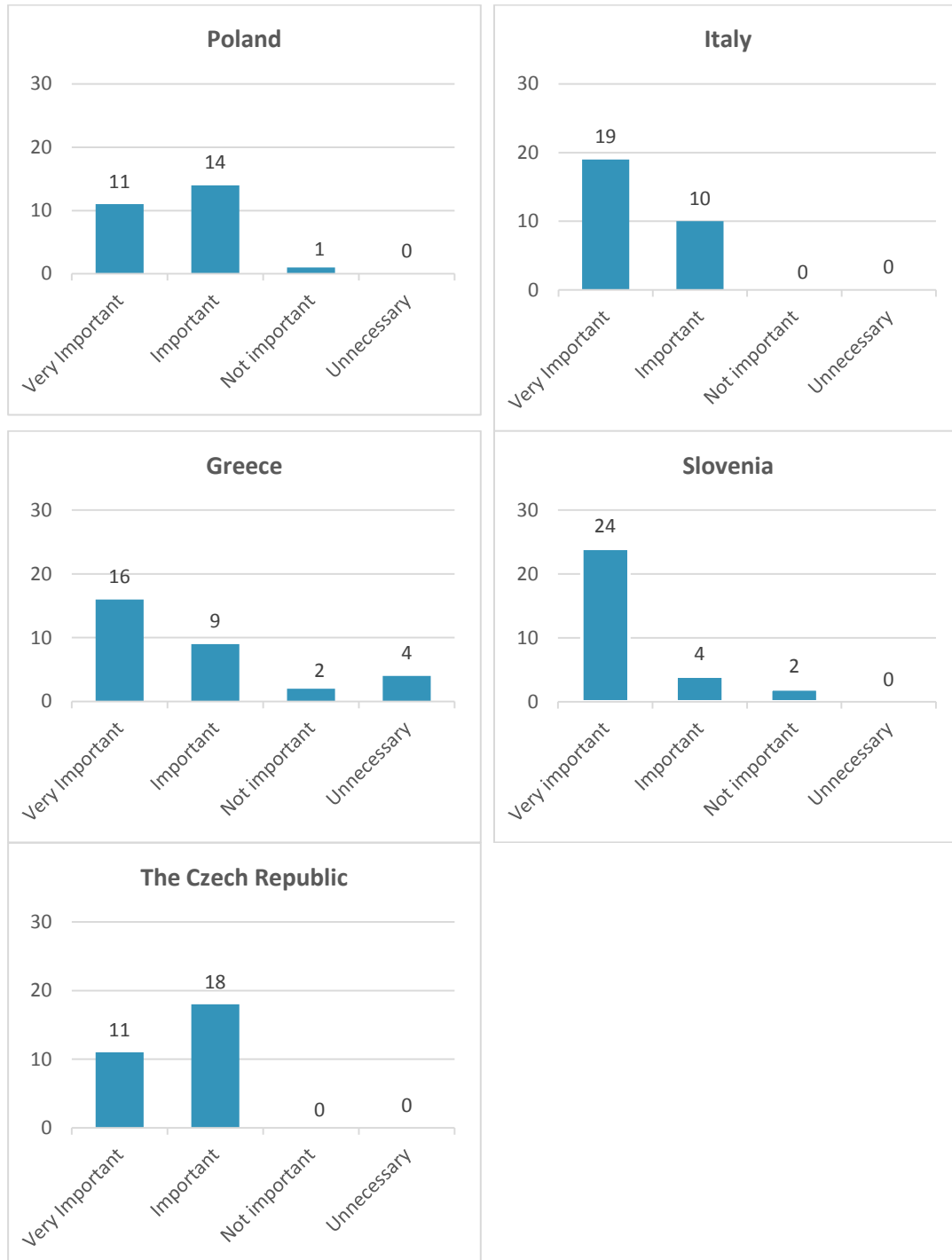


Figure 18. Time management

The fifth question of this block (Figure 19) was related to the cooperation strategy. Most of the respondents stated that this issue is either very important (51% in all partner countries) or important



(41% in all partner countries). 5% of them said that it is not important, and only 2 people admitted that it is not necessary.

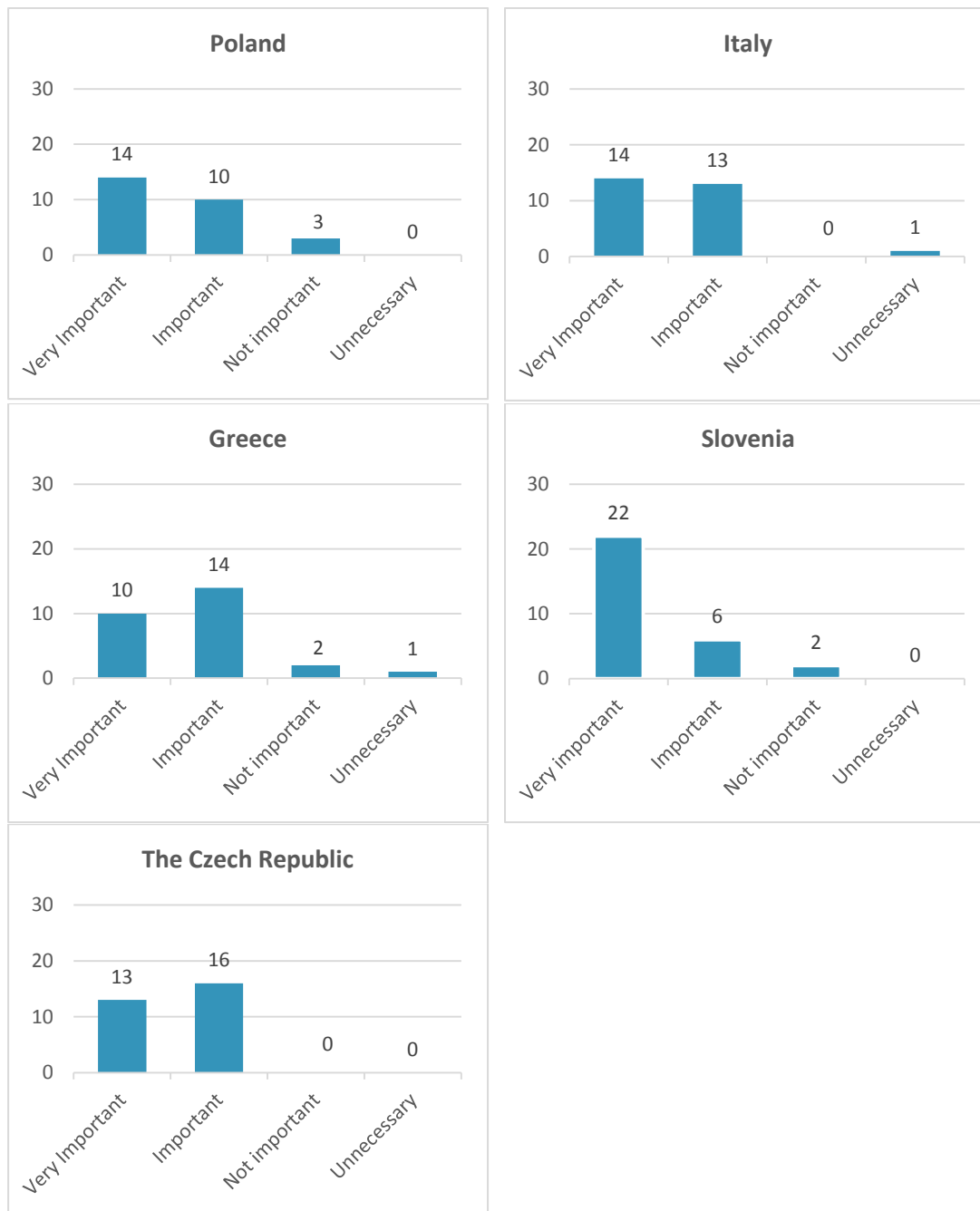


Figure 19. Cooperation strategy

The last question of this block (Figure 20) concerned the consideration of clients' ideas. The majority of the respondents (49%) said that it is an important aspect. 38% of them perceived it as very important. 12% of the respondents said that it is not important or unnecessary.

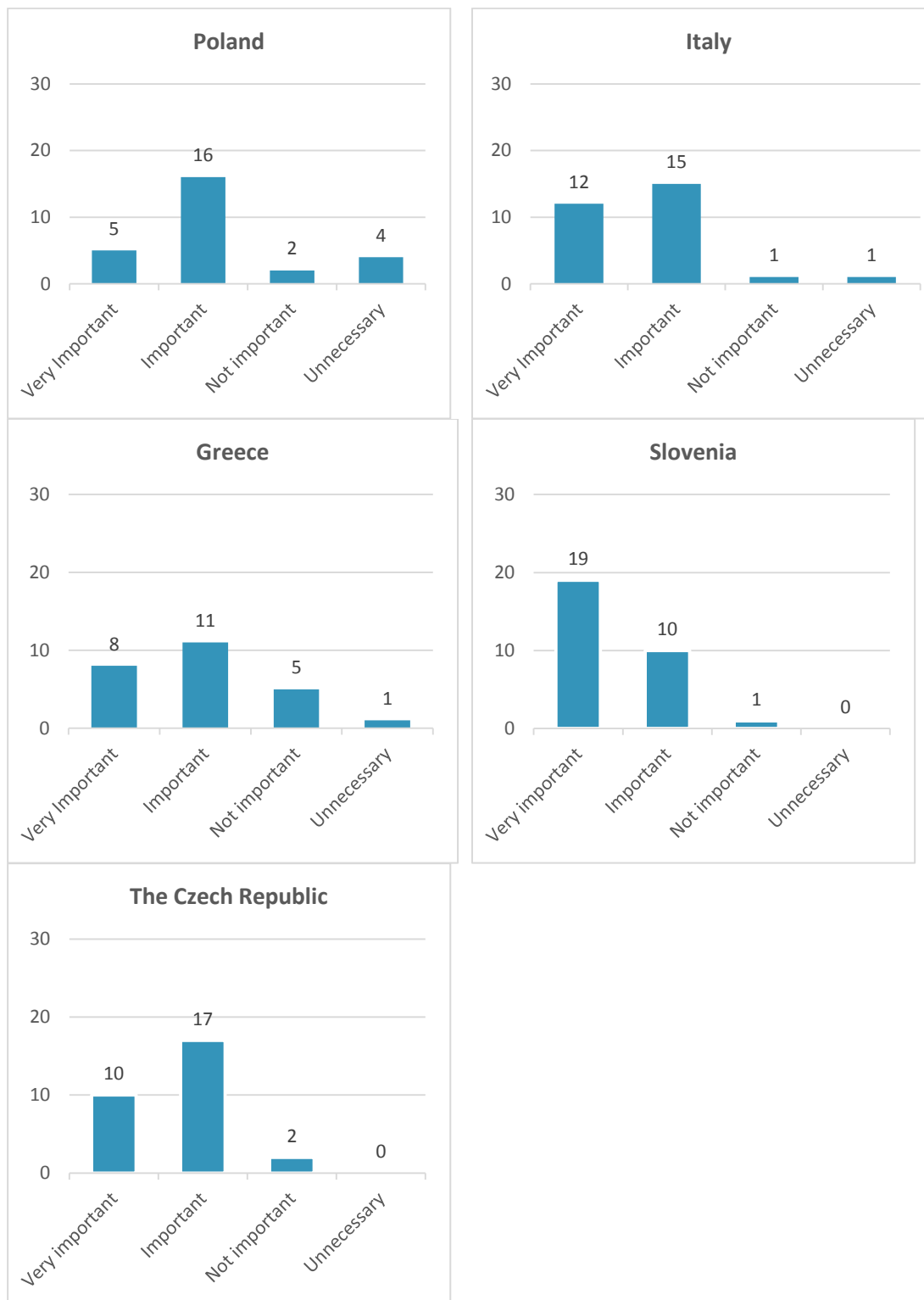


Figure 20. Consideration of the clients' ideas

To sum up the **“relations with clients / communication channels”** block, we can observe that the respondents perceived almost all the aspects as very important or important. What can be interesting is the fact that the respondents do not fully agree that the consideration of the clients' ideas could be significant for the development of the company. However, it seems that, nowadays, in



order to meet the clients' needs, it is sometimes important to consider their needs and to modify the business model if it brings more profits.

BLOCK 5: REVENUE STREAMS AND VALUE PROPOSITIONS

In this section, the respondents were asked to think about revenue streams and value proposition. The first question of this block (Figure 21) concerned the sources of the revenue of the company. The majority of respondents said that it is very important (36%) or important (60%). Only few of them said that it is not important.

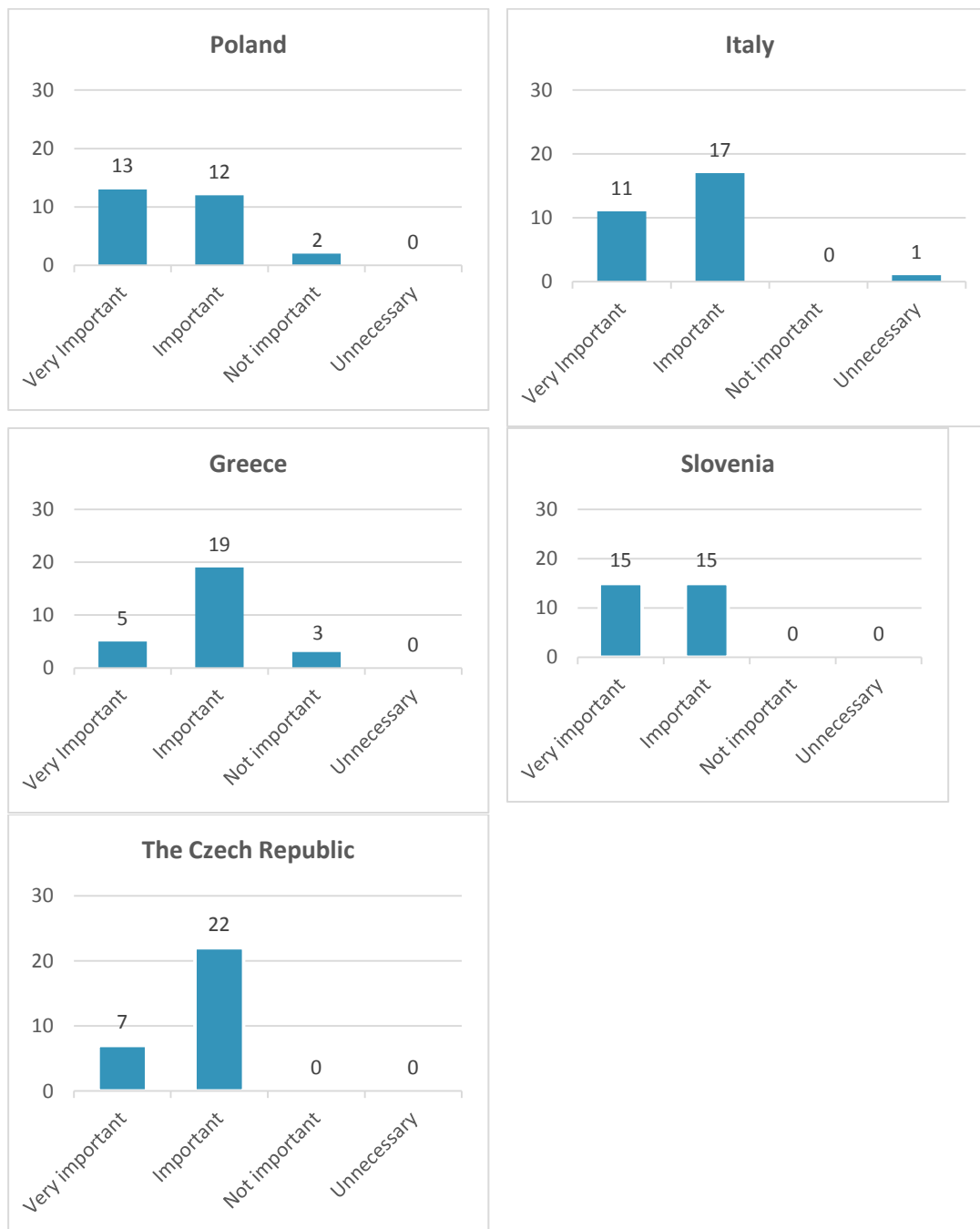


Figure 21. Sources of revenue

The second question of this block (Figure 22) was related to the goods offered for sale. The majority of the respondents said that it was very important to offer different goods and services for the clients. Depending on the market segmentation, the companies should respond the clients' needs. However, while interviewing, 6% of the respondents stated that the value proposition is not important for the company, and probably it should not be included in the designed business model.

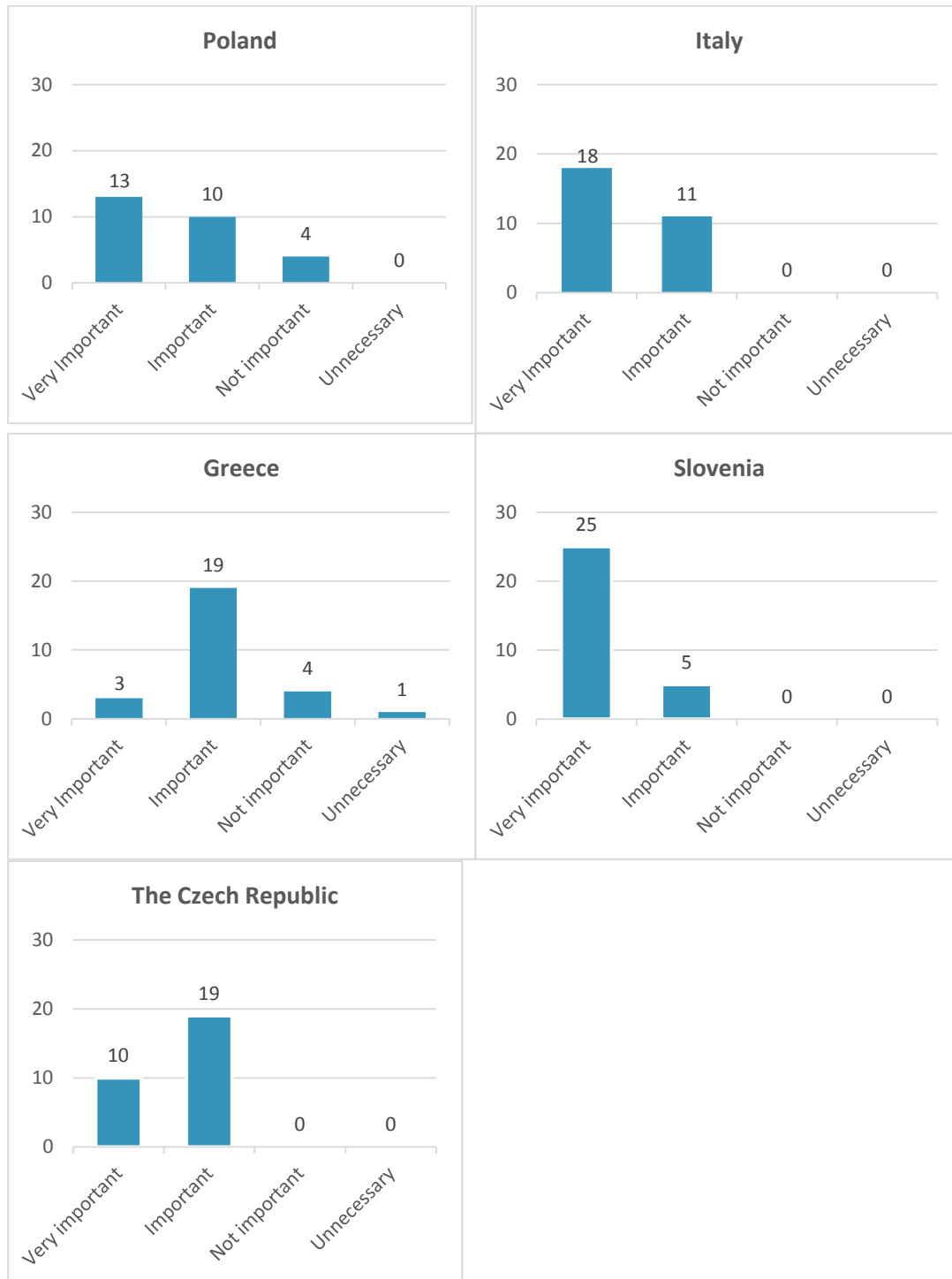


Figure 22. Goods and services offered for sale



The third question of this block (Figure 23) concerned the selection of the pricing mechanisms. The majority of the respondents said that it was very important or important for the company to select an appropriate pricing mechanism. Only 5% of the respondents said that it is not important.

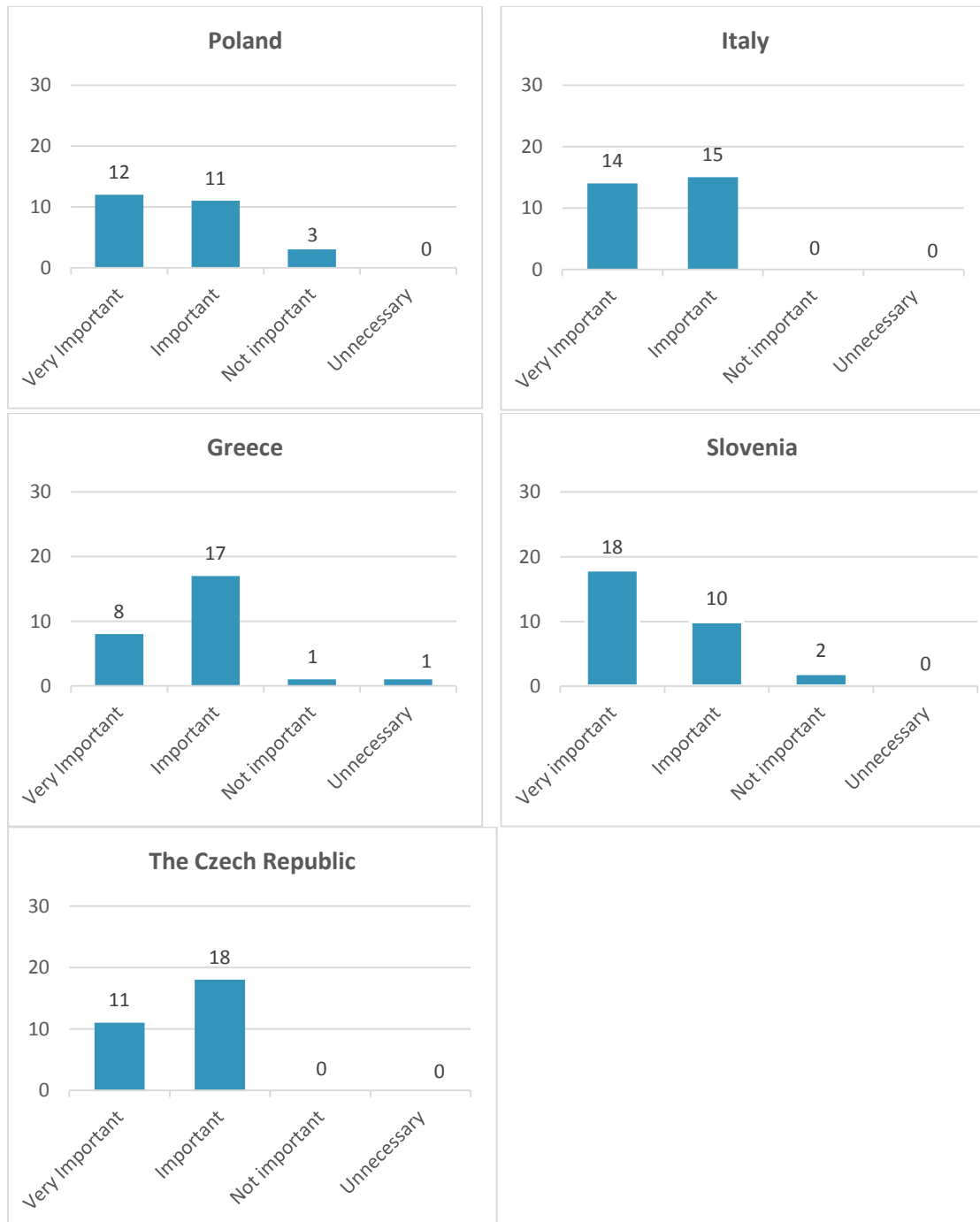


Figure 23. Selection of pricing mechanism

The fourth question of this block (Figure 24) was related to the use of appropriate pricing mechanisms. The responses were similar to those, which concerned the question of the selection of pricing mechanism, and it was very important or important for the respondents.

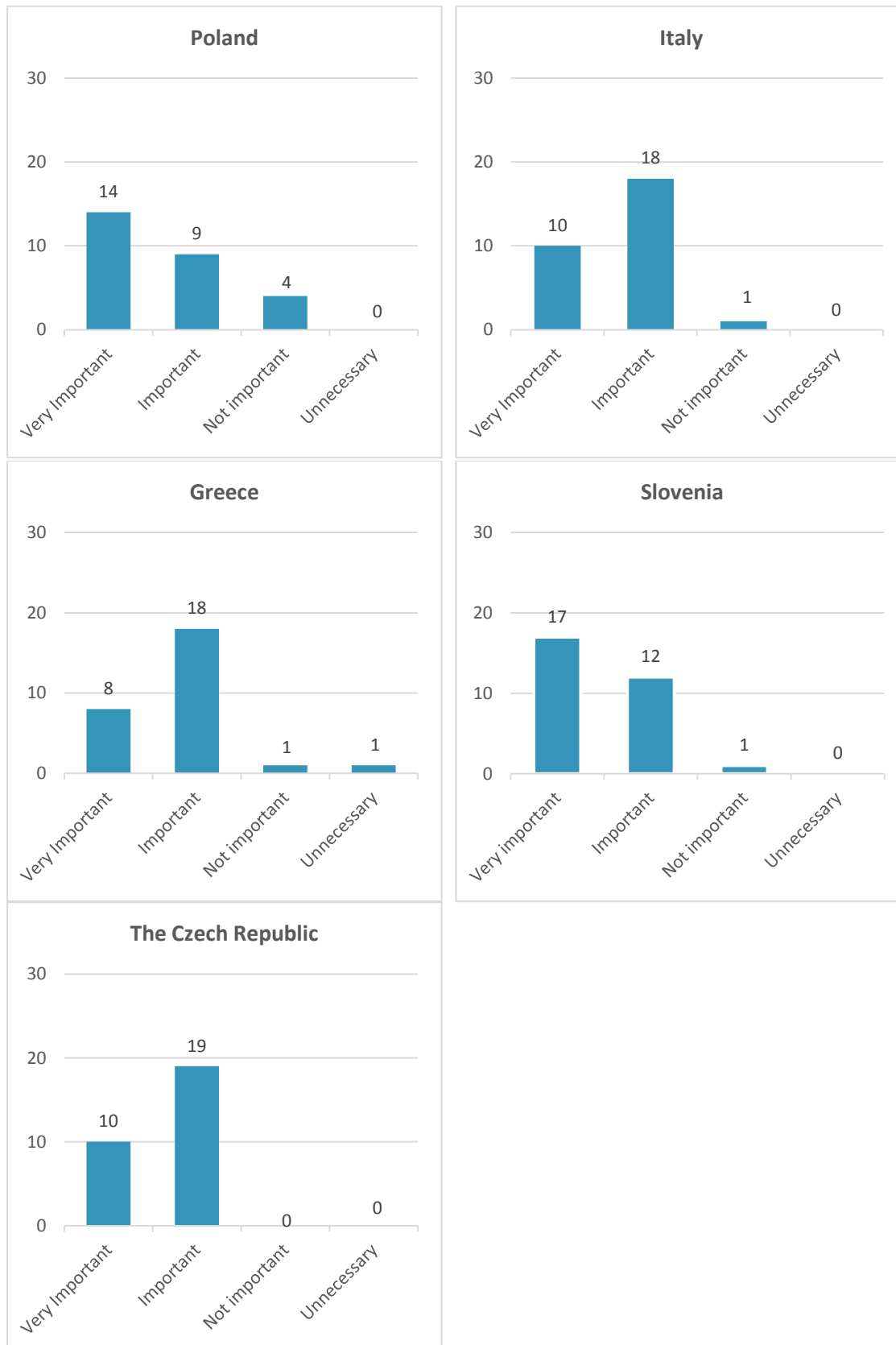


Figure 24. Use of an appropriate pricing mechanism



The last question of this block (Figure 25) concerned the calculation of advertising, brokerage, licensing, landing, renting, leasing, or usage fees. About half of the respondents (49%) said that it was very important to calculate of advertising, brokerage, licensing, landing, renting, leasing, and usage fees. 49% of them also said that it is very important.

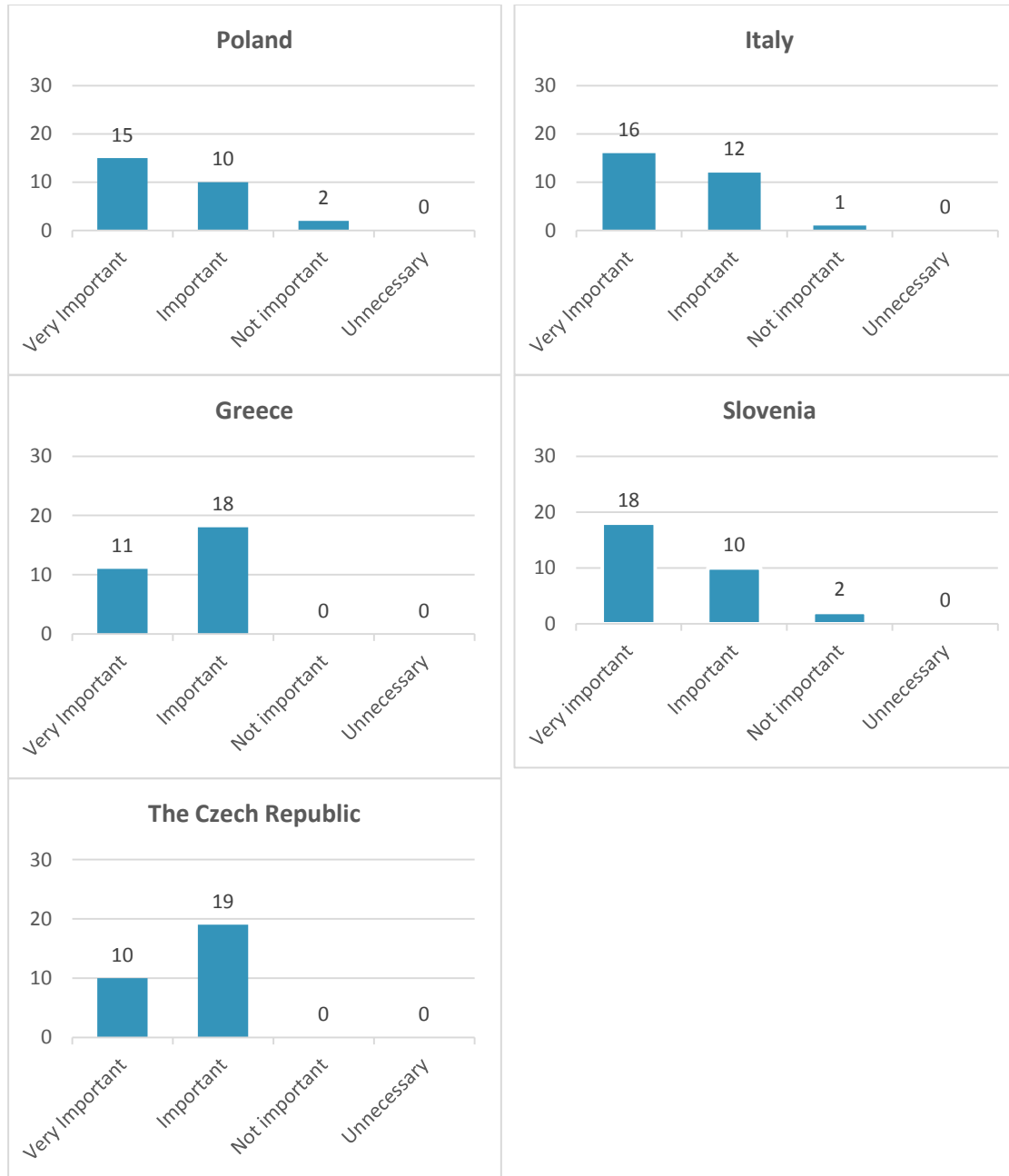


Figure 25. Calculation of advertising, brokerage, licensing, landing, renting, leasing or usage fees

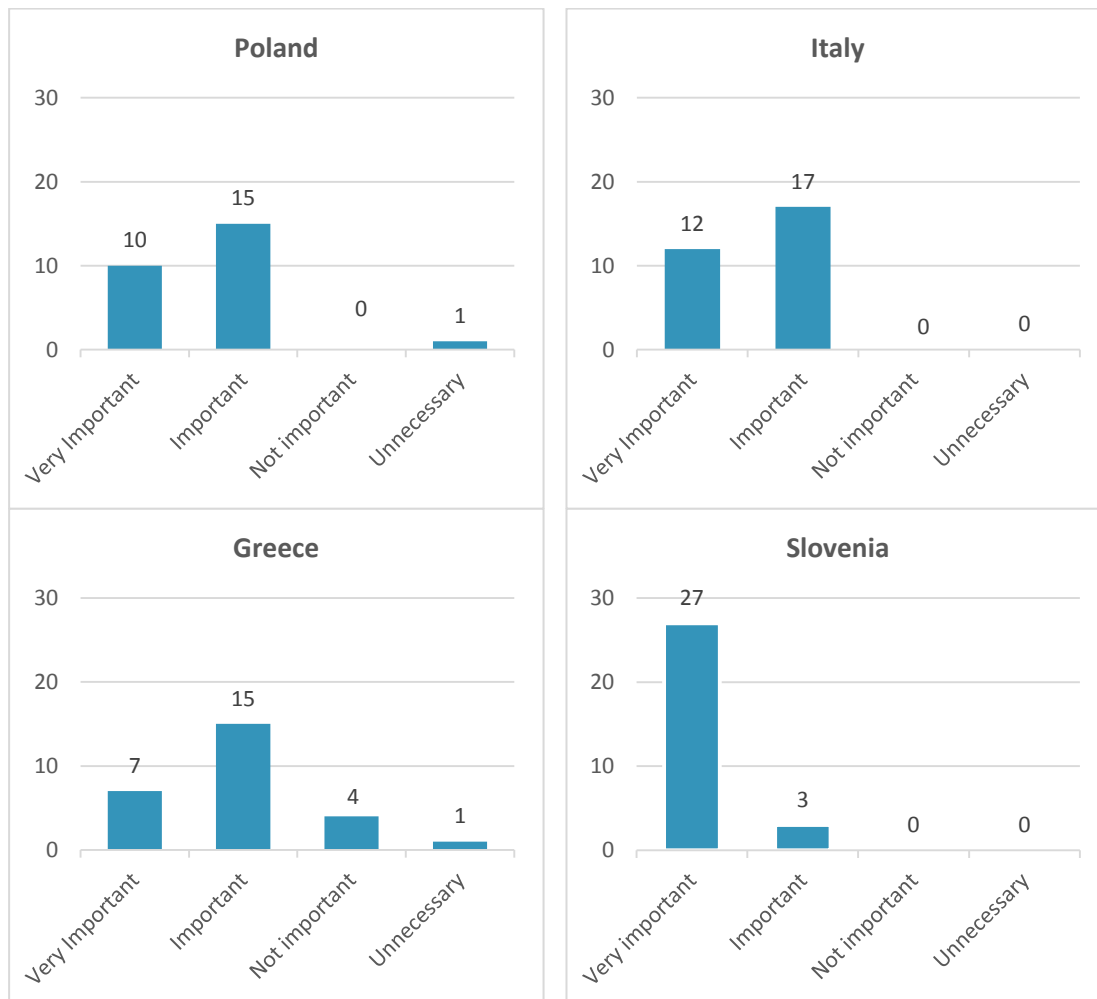
BLOCK 6: GENERAL QUESTIONS

The last block of this questionnaire contained 6 general questions containing the following aspects:



- The improvement of business model vs. the success of a company;
- The use of appropriate methods and tools for the design of a successful business model;
- The increase of the awareness on the importance of business models;
- The role of the project in the improvement of skills of self-employability and new business creation; and,
- Knowledge about business models vs. reducing barriers in the creation of start-ups.

At first, the participants were asked to answer the question “*Is the improvement of business model crucial for making success in the company?*” (Figure 26). The responses were different, depending on the country. In Poland and Italy, the responses *very important* and *important* were almost 50/50. In Greece, the majority of the respondents stated that the improvement of business model is crucial to have success. In Slovenia, 90% of the respondents admitted that this aspect was very important.



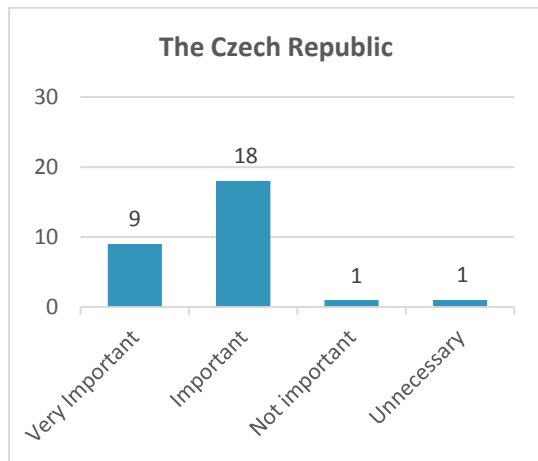
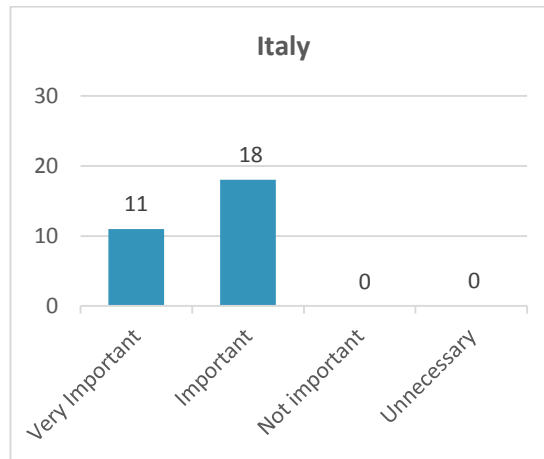
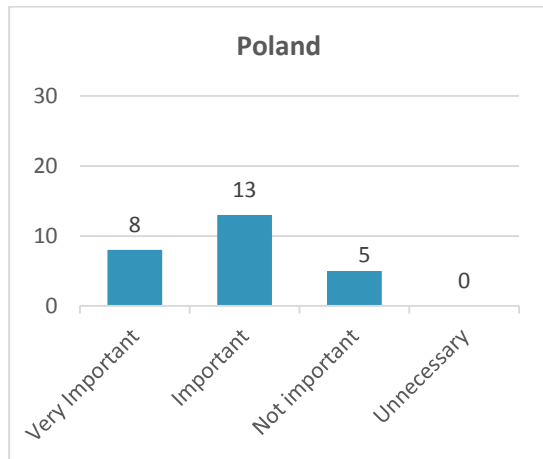


Figure 26. Improvement of a business model vs. making success

The results of the second question “Does the use of appropriate methods and tools help to design a successful business model?” are presented in Figure 27. Similar to Figure 26, the responses are very different. In Poland, the respondents leaned towards answers “very important” (31%) and “important” (50%). However, 19% of the respondents thought that the use of appropriate methods and tools was not important in order to design a good business model. In Italy, the majority of participants said that this aspect is important (62%) and very important (38%). In Greece, 56% of the respondents thought that the use of appropriate tools and methods was important for the design a good business model; whereas, 55% of the respondents perceived this aspect as very important. In Slovenia, the majority of the respondents stated this aspect as very important and this was the opposite for The Czech Republic, where this aspect was perceived as important.



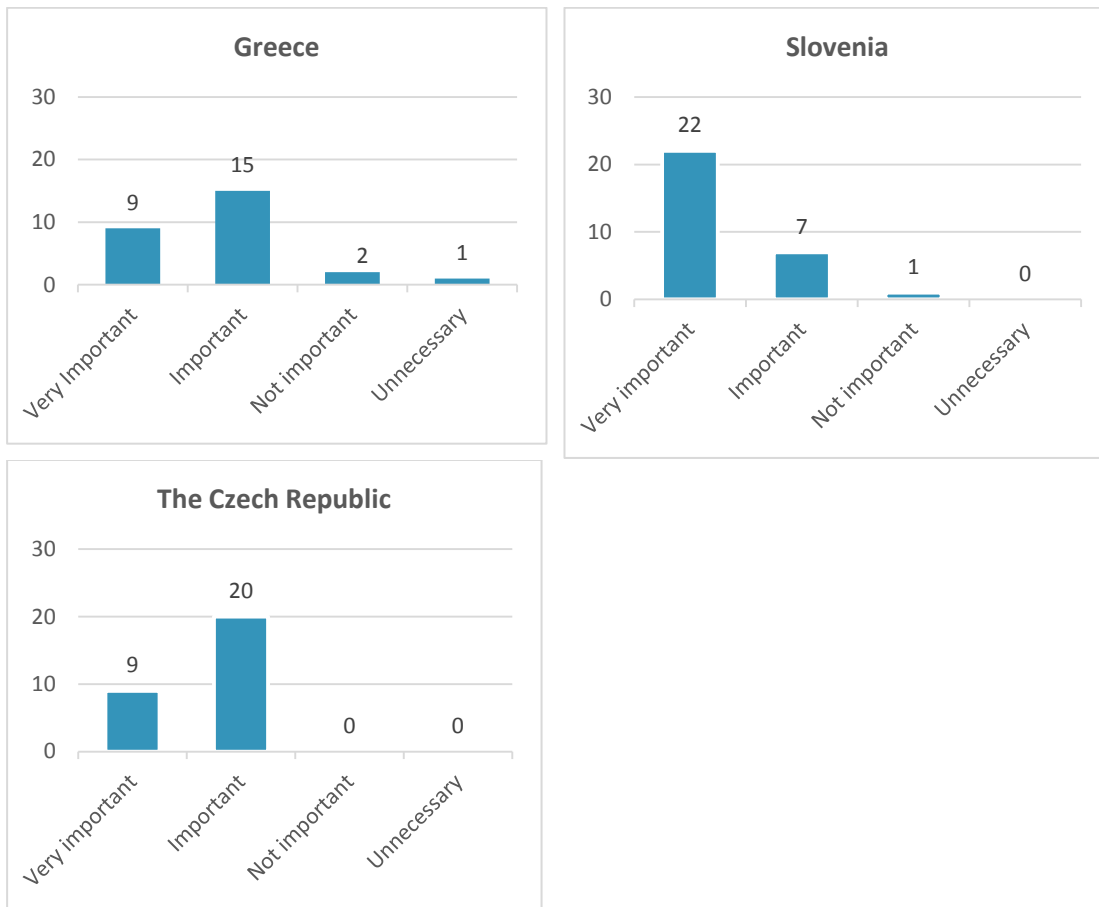
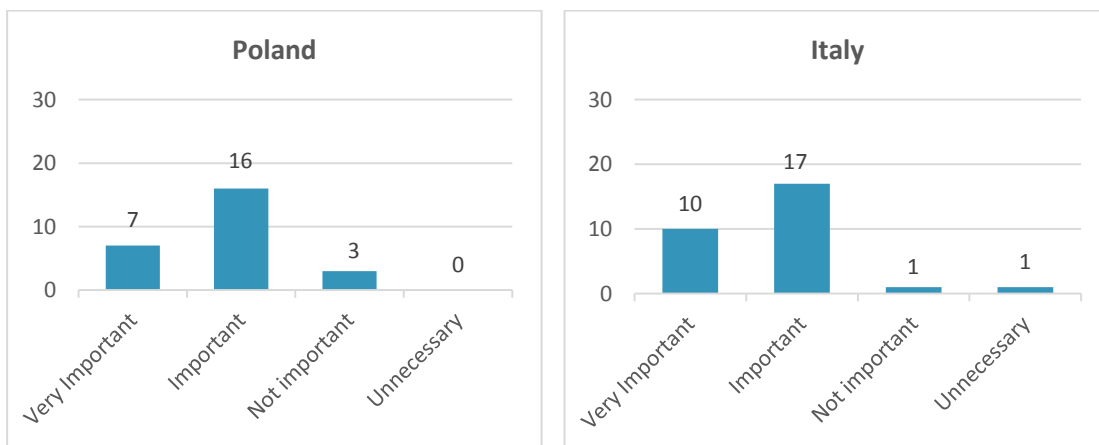


Figure 27. The use of appropriate methods and tools as help to design a successful business model

The third question was “Does this project increase awareness on the importance of business models?” (Figure 28). The majority of the respondents said that the ProBM project increased awareness on the importance of business models; however, several participants stated it was not important or even unnecessary (14% in total).



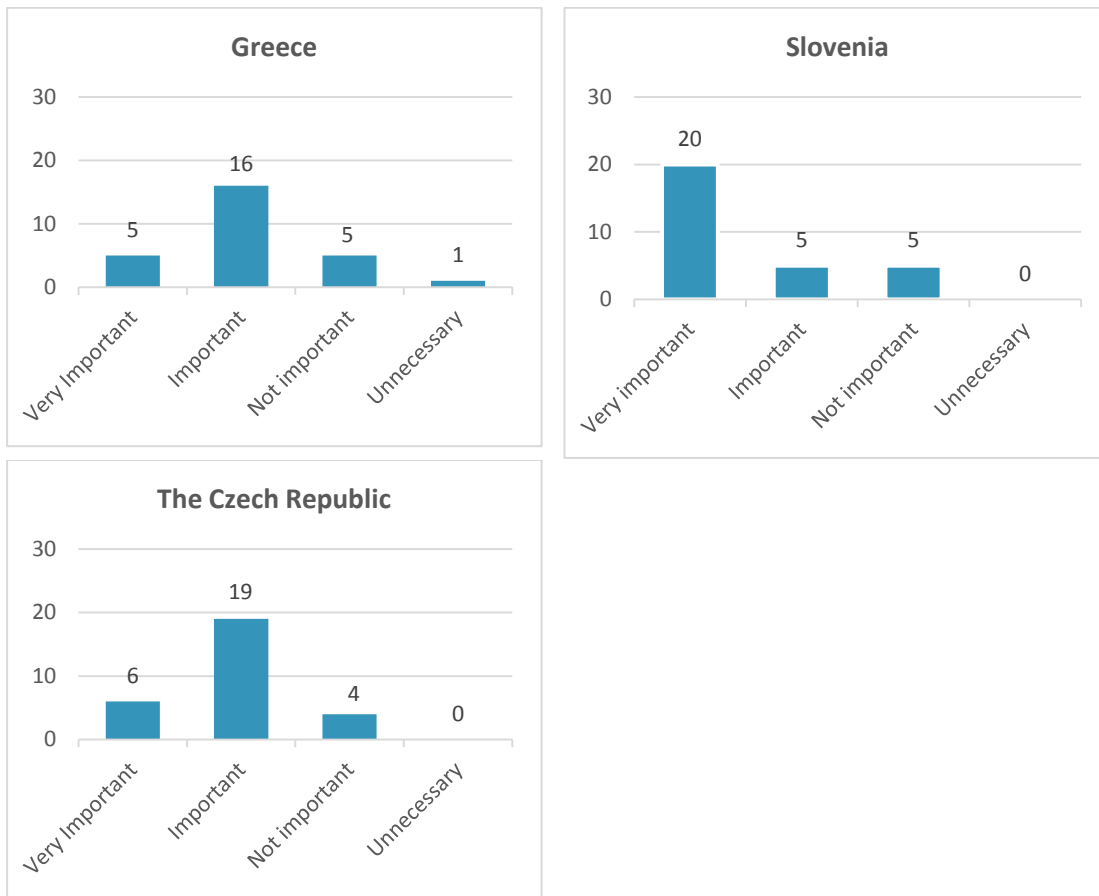
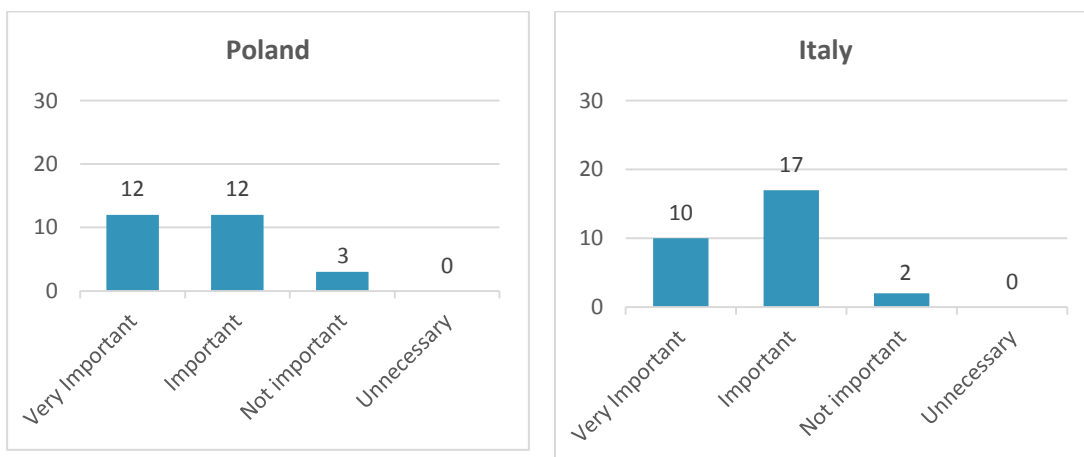


Figure 28. Increase of the awareness of business models

The fourth question was the following: “Does this project improve skills for employability and new business creation?” (Figure 29). The majority of the respondents said that this project improved the skills for employability and new business creation (very important or important aspects in all partner countries).



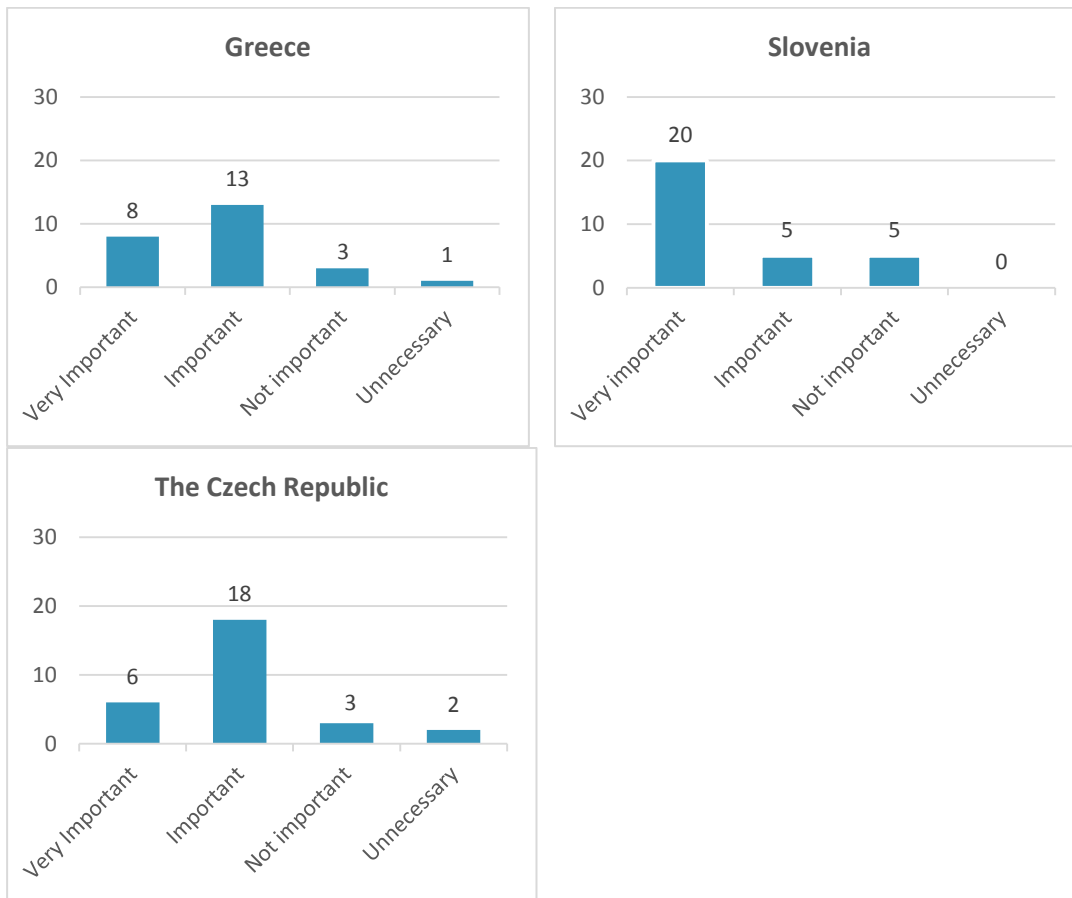


Figure 29. Role of the project in the improvement of skills of self-employability and new business creation

The fifth question was the following: “*Would the use of a good business model improve the situation on the labour market?*” (Figure 30). 54% of the respondents said that *the use of a good business model would importantly improve the situation on the labour market*, while 35% stated that the improvement of the situation on the labour market would be very significant.

On the other hand, 12% of the respondents think that the improvement would not be significant or that there would not be any improvement of the situation.

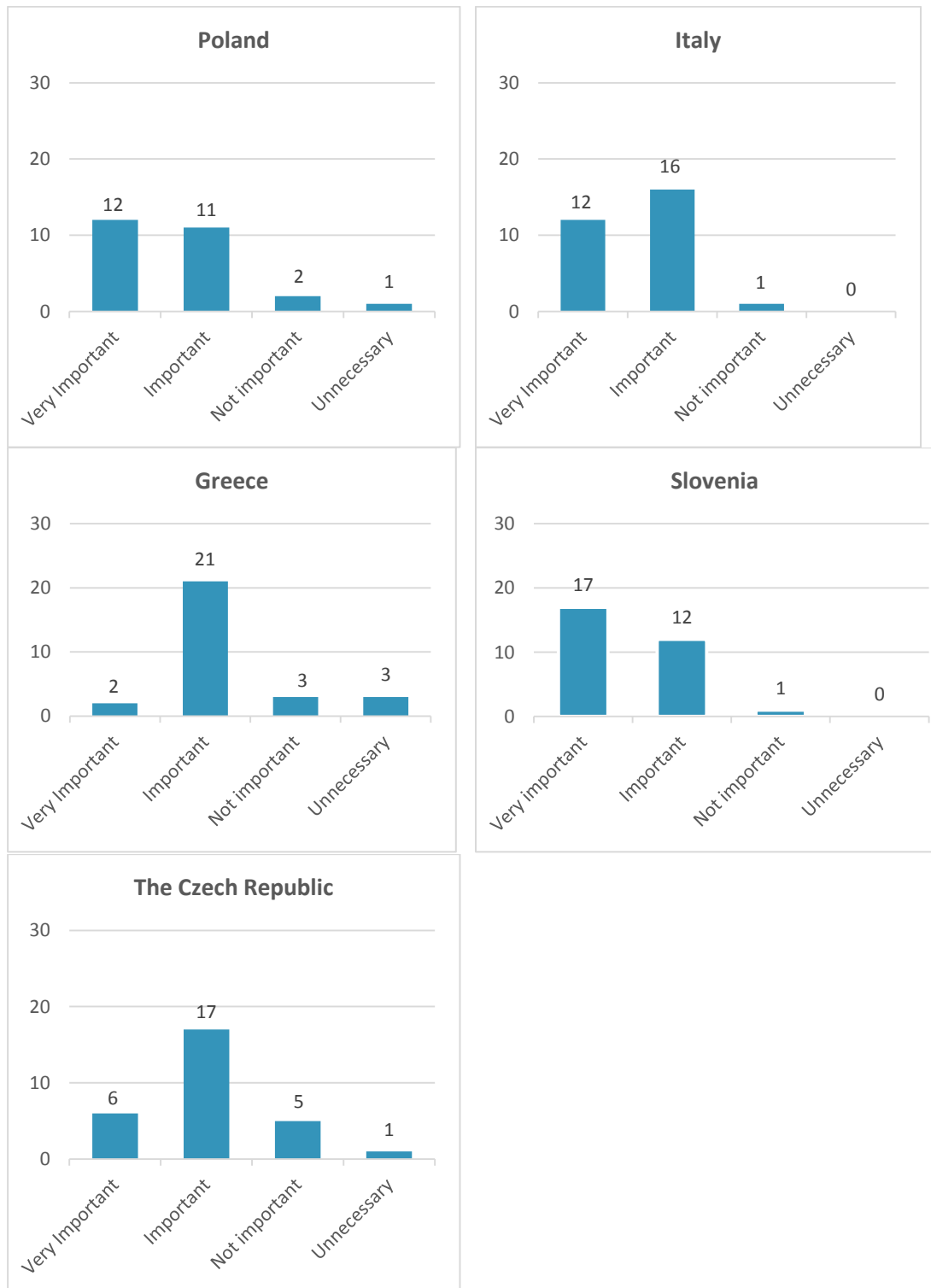


Figure 30. The use of a good business model as the improvement of the situation on the labour market

The last question was the following: “Would knowledge about business models reduce barriers to starting your own business?” (Figure 31). About half of the respondents stated that knowledge about business models would significantly reduce barriers to starting their own business (47%). 40% of the respondents thought that knowledge was very significant for reducing barriers to



starting their own business. 12% of the respondents admitted that this aspects was not important or even unnecessary.

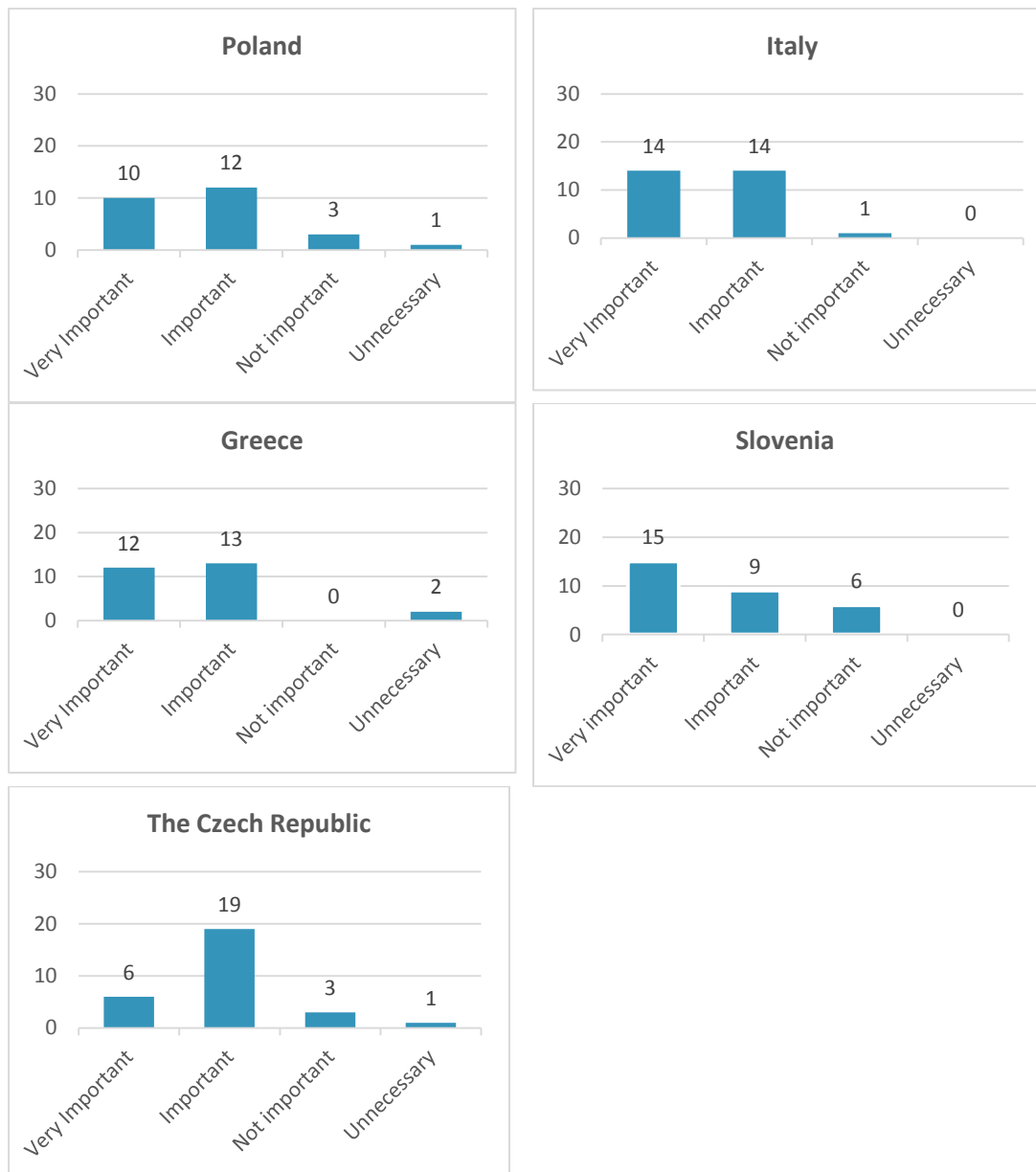


Figure 31. Knowledge about business models for reducing barriers to starting one’s own business

CONCLUSIONS

As the results of the questionnaire shows, the overwhelming majority of the participants who filled in the questionnaire responded that many of the questions were “important” and “very important.” A very low percentage replied with “not important” and “unnecessary.” It means that the topic of business models is very interesting and important for the target groups.

In addition, concerning age, educational level, and professional status, these are factors that did not play a notable role in the replies of the respondents.



After these results, it is obvious that whoever wants to get involved in the business market should first understand the meaning and the importance of the business model elements. Secondly, in order to succeed in a business (either as the owner or a member), it is necessary to obtain knowledge and skills in order to execute correctly the elements of the business model.

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