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ON THE QUESTION OF THE BUSINESS MODELS: MANAGERIAL ASPECTS

Abstract

Successful and world-leading companies such as Apple, Twitter, Toyota, Zara and their business models attract more attention of practitioners and researchers. This is taking place due to the development of an effective business model that enables them to open up great opportunities for their growth. To date, there are many types of business models. In this article, the authors consider the existing ways of classifying business models. In the first part of the article, the typology of the business model archetypes, developed by experts from the Massachusetts Institute of Technology is considered. Furthermore, the most common in practice archetypes of business models are given. The work focuses on the classification of business models made by a scholar – H. Chesbrough who described the essence of the proposed types of business models. There are many more business models related to business types built on business-to-consumer interactions, business to government transactions and government to business activities. The above types of business models are also reflected in this article. There are also many business models related to business types built on business-consumer interactions, business-government, business-business, government-business. The above types of business models are also reflected in this article. The final part of the article examines the definitions and examples of business models proposed by Mark Johnson. More importantly, the authors of the article highlight key questions that managers should answer when assessing the investment attractiveness of a company's business model.

Key words: business model, typology, types, classification, efficiency, management.

A business model is a management tool for building a holistic image of the activities of a company. The classification of enterprises based on their business model can be used for the management studies of such areas as the relationship between the business model and the efficient enterprise performance, the business model and innovations. Today, the business model as a criterion for the classification of enterprises is used only in such young and fast-growing industries as biotechnological and those industries affected by technological changes, namely information, media and telecommunications. The biotech industry enterprises, classified based on their business models, have made it possible to describe better the organizational differences between biotechnological enterprises, rather than the classical methods of classification.

The branches of information technology, the media and telecommunications are subject to the great impact of electronic and mobile technologies. Classification of enterprises based on their business models in these industries helps practitioners and researchers to understand better the changes taking place in the industry. For example, in the guide preparation to the creation of electronic newspapers in Sweden, the authors identified three types of business models of electronic newspapers, such as ubiquitous, local and prestigious, based on the relationship between reader preferences and media characteristics.

Classifications of enterprises based on business models differ from each other, depending on the criteria that were taken as the basis for the classification by the researchers. The amount of existing classifications are limited within a couple of industries, and have their own specifics, therefore cannot be applied to other industries.

Among the proposed approaches to classifying business models, we can cite the typology "Archetypes of business models" developed by experts from the Massachusetts Institute of Technology in 2004 (Table 1, p. 16) [1]. The classification "Archetypes of business models" is based on the following two characteristics: the rights to assets and assets involved in the business. Based on the criterion "types of rights to assets" identifies four main business models: creator, distributor, owner and broker. The second criterion, "assets involved in business", brings the following financial,

physical, intangible and human assets. Based on the asset data, each of the four basic business models receives four more business models. Thus, according to the classification “Archetypes of business models”, 16 types of business models are identified, of which currently only seven are distributed among American companies.

Table 1 – Typology – “Archetypes” of business models

Basic Business Models		Assets			
		Financial	Physical	Intangible	Human
Rights to assets	Creator	Entrepreneur	Manufacturer	Inventor	Creator and seller of human resources *
	Distributor	Financial trader	Wholesaler/ Retail sales	IP trader	Distributor of human resources *
	Owner	Owner of financial assets	Owner of financial assets	Owner of intangible assets	Contractor
	Broker	Broker of financial assets	Broker of physical assets	IP broker	Broker for Human Resources
Notes – 1. Resource [1, c. 31]. 2. * Illegal business.					

Not all of the archetypes listed in Table 1 have popularly spread to practice. In the period of 12 years (from 1997 to 2009), Thomas Malon and Peter Weil studied more than 10,000 of the largest US companies from different industries. The results of their work reflected in the article titled “The Business Models Investors Prefer”. The results of their work are presented in Table 2.

Table 2 – Common archetypes of business models

Basic business models		Assets				Share in total income
		Financial	Physical	Intangible	Human	
Rights to assets	Creator	Entrepreneur 0%	Manufacturer 57%	Inventor 0%	Creator and seller of human resources * n/a	57%
	Disturbutor	Financial trader <1%	Wholesaler/ Retail sales 14%	IP traider ~0%	Distributor of human resources * n/a	14%
	Owner	Owner of financial assets 8%	Owner of physical assets 10%	Owner of intangible assets 2%	Contractor8%	28%
	Broker	Financial assets broker <1%	Physical assets broker <1%	IP broker 0%	Human Resources broker ~0%	1%
	Share in total income	9%	81%	2%	8%	100%
Note – Resource [7].						

As a result of the study, it was revealed that 7 out of 16 business model archetypes were mainly used in American companies. Each company considered could profit by using various types of assets, but more than 50% of 10,970 companies earned income only from one type. Eighty-one percent of total revenues of companies listed on US exchanges come from physical assets. Production – the creation of physical assets – produced about 57% of the company’s total revenues. Producers tend to be highly valued by investors, and producers who develop innovation are regarded even more.

H. Chesbrough used two parameters, as features of the business models classification, the degree of openness of the business model and the amount of investment used to develop it. Thus, he identified six types of business models: “undifferentiated, differentiated, segmented, externally oriented, integrated with the innovative process and adaptive” [3].

Undifferentiated business models (type 1) are business models of companies competing with each other for the price and availability of the offered value (restaurants, barbershops). Differentiated business models (type 2) are companies whose business models have some distinctive features from undifferentiated business models. For instance, they have the ability to satisfy the demand of consumers in the market segment, where there is less competition.

A segmented business model (type 3) is a company with a stronger business model and an ability to compete in different market segments simultaneously. Offering value at low prices to consumers, who are sensitive to the price level of value, they can build strategies affecting both product changes and manufacturing technologies. An externally oriented business model (type 4) is a business model that is open to changes in the external environment. It allows introducing new ideas from both suppliers and consumers in the process of interaction with them and allows planning innovation activities of your company.

The fifth type is the companies whose business models are integrated with the process of innovation. The business model plays a key integrating role here (leading financial companies). Companies with a business model of adaptive (adaptable) platforms are the models that are more open to external influences than types 4 and 5, which quickly adapt to them, experimenting at the same time with several business models [4].

A. Osterwalder presented the business model as a blueprint for the company’s functioning. Defining business models with similar characteristics (structure, behavior) he identified five business model styles: business models of the idea of separation, “long tail”, versatile platforms, FREE and open business models (table 3).

Table 3 – Business model styles by A. Osterwalder

Business models of separation idea	In the enterprise there can exist three forms of business activity: activity focused on clients, innovations and infrastructure. The company should focus on one of these activities.
«Long tail»	The company offers in a larger volume a small number of «hit» goods, and in a smaller volume of more items of goods less popular.
Versatile platforms	Unite two or more different, but related to each other consumer groups and create value through mediation between these very groups.
FREE	At least one significant consumer segment can receive valuables for free for a long time. The financing of consumers who do not pay is done at the expense of another part of the business model or another segment of the market.
Open business models	Business models that create and preserve value through cooperation with external partners, use the ideas of external agents, or provide ideas to external partners that are not claimed by the company.
Note – Compiled by the author by source [2, p. 58].	

Depending on the types of subjects of economic relations, the following types of business models are distinguished:

- ♦ Franchising is a kind of relationship between market entities, when one party transfers to another a right for a certain type of business for a fee using an already developed business model;
- ♦ Direct sales – sale of consumer goods and services, carried out from person to person outside fixed retail outlets;
- ♦ B2B (Business-to-Business – business-to-business) is a type of information and economic interaction classified according to the type of interacting entities (legal entities). Companies supply goods and services to other companies, and not to the end user.
- ♦ B2C (Business-to-Consumer) is a form of trade, the purpose of which is direct sales. Effective way of eliminating the geographical distance between large and small cities due to the unification of pricing policy and the activity of delivery services in electronic commerce;

♦ B2G (Business-to-Government – business for the government) – communication between business and the state. The system characterizes electronic commerce and is used, for example, in the organization of public procurement;

♦ G2B (Government-to-Business – government for business) – a set of software and government tools for online interaction of the executive and commercial structures (websites of government agencies, public procurement, etc.) [5].

In the typology of Mark Johnson's business models, the business models listed in Table 4 are listed.

Table 4 – Basic forms of the business-models

Analogy	How does it work?	Example
Affinity club	Pay royalties to some large organization for the right to sell your product exclusively to their customer	MBNA
Brokerage	Bring together buyers and sellers, charging a fee per transaction to one or other party	Century 21 Orbitz
Bundling	Package related goods and services together	Fast-food value meals iPod/ iTunes
Cell phone	Charge different rates for discrete level of a service	Sprint Better Place
Crowdsourcing	Get a large group of people to contribute content for free in exchange for access to other people's content	Wikipedia YouTube
Disintermediation	Sell direct, sidestepping traditional middlemen	Dell WebMD
Fractionalization	Sell partial use of something	NetJets Time-shares
Freemium	Offer basic services for free, charge for premium service	LinkedIn
Leasing	Rent, rather than sell, high-margin, high-priced products	Cars MachineryLink
Low-touch	Lower prices by decreasing service	Wal-Mart IKEA
Negative operating cycle	Lower prices by receiving payment before delivering the offering	Amazon
Pay as you go	Charge for actual, metered usage	Electric companies
Razor /blades	Offer the high-margin razor below cost to increase volume sales of the low-margin razor blades	Printers and ink
Reverse razor /blades	Offer the low-margin items below cost to encourage sales of the high-margin companion product	Kindle iPod/iTunes
Reverse auction	Set a ceiling price and have participants bid as the price drops	Elance.com
Products to service	Rather than a product, sell the service the product performs	Zipcar
Standardization	Standardize a previously personalize service to lower costs	MinuteClinic
Subscription	Charge a subscription fee to gain access to a service	Netflix
User communities	Grant members access to a network, charging both membership fees and advertising	Angie's List
Note – Source [6].		

Analysis of practical development and implementation of business models shows that business models can be created both for a single company and for the group of companies as well.

Why use business models in practice? We can highlight the following options for their application:

1) to evaluate and analyze the effectiveness of the company in comparison with other similar companies;

2) to assess the potential of the business and investment attractiveness of the company's in the future;

3) to optimize the business in terms of strategy and in terms of maximizing and retaining the value that the company creates for customers and other interested in its business.

As we can see there are many archetypes of business models, and for a stable growth and retention of competitive market positions companies need to manage the business model. Business models that investors appreciate today, may not be in demand in 10 years. For example, Disney changed dramatically its business model over the past 20 years from leasing physical assets, such as theme parks (65% of revenue in 1984, but only 30% in 2009) to licensing intellectual property (15% of revenue in 1984, but 63% in 2009). This strategic shift in the activities of Disney occurred not without the participation of the investor. Disney shares outperformed the S & P 500 stock index over the past five years, and exceeded this figure by more than 20% for the two-year period ended December 31, 2010 [7].

Managers of the companies should answer the following key questions when changing a business model.

1. What is the business model of our company today and how has it changed over the past 10 years?

2. What does our business model present in comparison with the business models of major and minor competitors?

3. How can we change our business model to attract more revenue?

4. What competencies do we need to make any changes in our business model for further development? What strategic experiments can we conduct today to test new business models for tomorrow?

Therefore, we can draw the following conclusions. The concept of the business model is a fundamental tool for the analysis of many valuable strategic decisions of the company. Based on the company's objectives, various types of business models are possible. The business models are proposed to be classified according to the following characteristics: depending on assets, types of rights to assets, the direction of business development, functional affiliation, and also depending on the types of entities economic relationship. Domestic companies should think about further development. Companies may be interested in the classifications of business models given in this article to decide which business models are more profitable and convenient and in which companies we should invest.

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Аңдатпа

Әлемдік нарықтағы Apple, Twitter, Toyota, Zara секілді табысты және жетекші компаниялар мен олардың іскерлік бизнес-модельдері практиктер мен зерттеушілердің назарын тартуда, өйткені тиімді бизнес-модель құру компаниялардың дамуы үшін үлкен мүмкіндіктер ашады. Бүгінгі таңда бизнес-модельдердің көп түрлері бар. Бұл мақалада авторлар бизнес-модельдердің қолданыстағы жіктеу әдістерін қарастырған. Мақаланың бірінші бөлігінде Массачусетс технологиялық институты ұсынған бизнес-модельдердің архетиптер типо-

логиясын қарастырады. Тәжірибеде ең көп таралған бизнес-модельдер архетиптері келтірілген. Мақалада Н. Chesbrough жіктеуіне де назар аударылған. Мақалада Н. Chesbrough жіктеуіне назар аударылып, өзі ұсынған бизнес-модельдердің мәні қарастырылған. Байланыс түрлеріне қарай да мемлекет-бизнес, бизнес-бизнес, бизнес-тұтынушы, бизнес-мемлекет секілді көптеген бизнес-модельдер түрлері бар. Жоғарыда аталған бизнес-модельдер мәні де бұл мақалада көрініс тапқан. Мақаланың соңғы бөлігінде Марк Джонсон ұсынған бизнес-модельдердің анықтамалары мен мысалдары келтірілген. Сондай-ақ компанияның бизнес-моделінің инвестициялық тартымдылығын бағалау кезінде менеджерлер жауап беруге тиіс негізгі сұрақтар көрініс тапқан.

Тірек сөздер: бизнес-модель, типология, түрлері, жіктеу, тиімділігі, менеджмент.

Аннотация

Успешные и лидирующие на мировом рынке компании, такие, как Apple, Twitter, Toyota, Zara, а также их бизнес-модели привлекают к себе все больше внимания практиков и исследователей, так как разработка эффективной бизнес-модели открывает большие возможности для роста компаний. На сегодняшний день существует множество видов бизнес-моделей. В данной статье авторами рассмотрены существующие способы классификации бизнес-моделей. В статье рассматривается типология архетипов бизнес-моделей, разработанная специалистами Массачусетского технологического института. Приводятся наиболее распространенные на практике архетипы бизнес-моделей. В работе уделено внимание классификации бизнес-моделей Н. Chesbrough с раскрытием сущности предложенных им типов бизнес-моделей. Существует еще множество бизнес-моделей, связанных с видами бизнеса, построенными на взаимодействиях бизнес – потребитель, бизнес – правительство, бизнес – бизнес, правительство – бизнес. Вышеперечисленные виды бизнес-моделей также нашли отражение в данной статье. В заключительной части статьи рассмотрены определения и примеры бизнес-моделей, предложенных Марком Джонсоном, отражены ключевые вопросы, на которые стоит ответить менеджерам при оценке инвестиционной привлекательности бизнес-моделей компании.

Ключевые слова: бизнес-модель, типология, виды, классификация, эффективность, менеджмент.