

EGN Workshop 5

Business and pricing model & access control

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Marne-la-Vallée / November 14th, 2007

Agenda for today

- Summary of suggested pricing model / outline of „burning questions“ (14.30 – 15.00)
- Different options for access control (15.00 – 15.30)
- Questions and clarifications (15.30 – 16.00)
- Coffee break (16.00 – 16.30)
- Suggested pricing model: Discussion and agreement on choices for business model (16.30 - ...)

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- Summary of suggested pricing model / outline of „burning questions“
- Different options for access control
- Questions and clarifications
- Suggested pricing model: Discussion and agreement on choices for business model

Suggested pricing model: two periods

funded period	unfunded period
no business model at all	Business model: complex ?
very simple access control	Access control: reflects complexity of Business Model

Feb. 2009

Pricing model / funded period

- no business-oriented undertaking in this period
- free access
- limited supply of data: no geometries

Suggested pricing model / unfunded period

- access control component allows access according to „individual“ purchasing agreement
- customer can select between
 - usage rights of data: online use only / offline usage allowed
 - level of access: pan-european / selection
 - level of detail: three different groups
- reflection of „typical“ NMCA approach: services vs. data products

General characteristics of offering

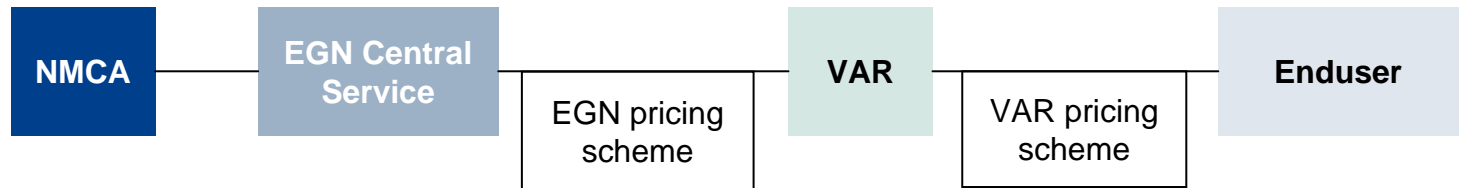
- free access: restricted to a certain amount of data (both in terms of level of detail and traffic generated). Sole use by portal entry and manual retrieval. IP-based traffic cap (ref Google maps)
- paid access: Web service, can be integrated into own products. Level of detail based on pricing scheme. Different options according to user role implementation details. User access is based on role descriptions. Access control will determine the level of detail that can be covered in pricing model.
- basic idea: Adaption of freemium business model, where free offerings allow users to familiarize with quality and scope of offering without having to pay a single penny. „Real use“ of service must be paid. Example: flickr.com limits space for photos

Suggested pricing model / example

Usage Type	Service level area: per one country	Service level area: Pan- European	Service Level 1 ("Bronze")	Service Level 2 ("Silver")	Service Level 3 ("Gold")
Online	●		Free	€ 500 p.a.	€ 1000 p.a.
		●	Free	€ 5000 p.a.	€ 10.000 p.a.
Offline	●		€ 500 (commercial use only)	€ 1.000	€ 2.000
		●	€ 5000 (commercial use only)	€ 10.000	€ 20.000

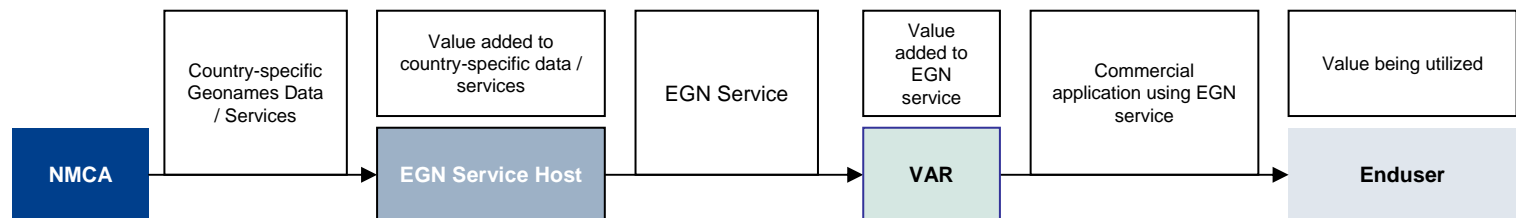
Pricing model suggestion

- „upfront“ fee for VARs to buy access to EGN Central Service
- additional margins are fully up to the VARs individual calculation and business model: both risk and chance

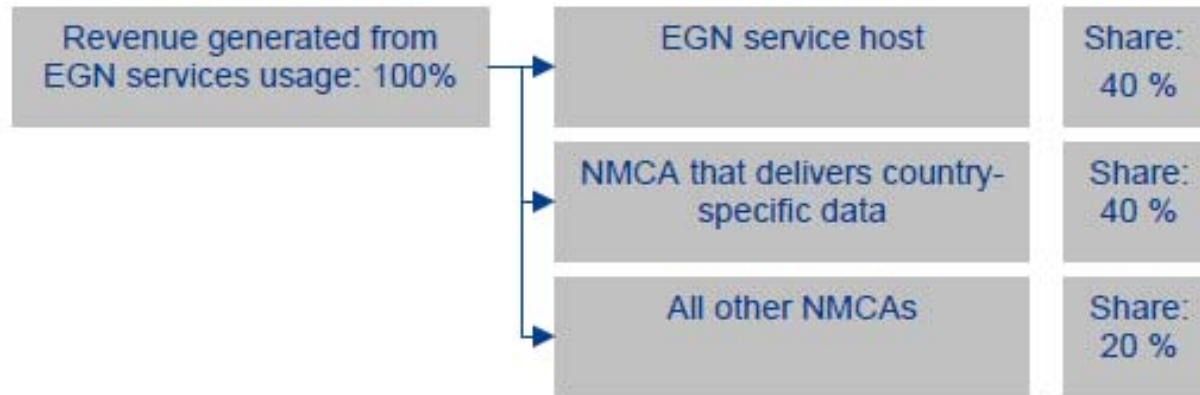


Distribution and value adding

- Paid access is offered to VARs only for product integration
- More value is generated with each additional step
- Unique selling proposition: access to quality-checked official pan-european data (this cannot be provided by another organization nor community (e.g. Open Streetmap))



Revenue share suggestion



Suggested pricing model / assumptions

- calculation was based on manageable demand expectations (only a small fraction of the target market would respond), scaling is a challenge
- calculation was based on repeated purchase expectations (in line with data update cycle by NMCA's)
- calculation resulted in showing a profitable undertaking within a short period of time

Suggested pricing model / preconditions

- calculation presumes
 - sophisticated access control in place (as provided by ESRI)
 - an attractive pan-european product (that is where all / most European NMCAs contribute towards **a real European product**)
 - an interest in profitable undertaking
 - that an organization acting as business partner for VARs exists

Geonames business experience from NMCAs

- survey: Do your Geonames data products and/or services generate revenue?
- 13 NMCAs replied (1 stated confidentiality of revenues, 1 generates no rev at all)
- 8 below 10.000 €
- 3 between 10.000 and 50.000 €

Hot topics

- Do we need a sophisticated business model at all?
- Do we appreciate the existence of an attractive pan-european product as a joint entry product comprising access to different national NMCA products / offerings?
- Do we want to make this attractive and easy to grasp / to integrate for VARs?
- Do we want to make this a profitable undertaking?
- Does someone take over the responsibility of being acting business „owner“?

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Access control during project period

- Access via reference application only
- Authentication based on IP (range)
- Authorisation granted without restriction
- Accessible dataset is limited: no geometries

Access control beyond funded period

- Technical solution: Web Authentication Service / Web Security Service
- Authentication by Username and password
- Authorisation based on individual rights (ref. pricing model)
- Individual rights require contractual agreement

Option A: Complex business model used

- Technical solution: Web Authentication Service / Web Security Service
- Authentication by Username and password
- Authorisation based on individual rights (ref. pricing model)
- Expandable model
- Might not maximise usage of existing data

Option B: Simple business model used

- Technical solution: Web Authentication Service / Web Security Service
- Authentication by Username and password
- Flatrate (or similarly simple) access
- Authorisation grants full access to data; no further specification of access rights
- Competition to existing NMCA business

Option C: No business model at all

- Technical solution: Web Security Service
- No authentication necessary, IP-based capping according to amount of data retrieved
- Threat to individual NMCA business: access to Geonames data would be free
- So far, revenue generation by Geonames data is limited (according to survey results). Do you agree?

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Decisions to take

- Option A (complex), B (simple) or C (none)?
- Flatrate model, no pricing differentiation?
- Complexity of business model and pricing?
 - Should offline usage be part of the pricing scheme (Y/N)
 - Selection of access level: pan-european / selection of countries (Y/N)
 - Selection: (Three) different user profiles? (Y/N)



Backup slides

Freemium: where does it come from?

A VC Musings of a VC in NYC



what am I doing... ?
back in nyc, headed into a all
morning board meeting

<< 6 hours ago >>

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The Freemium Business Model

I wrote a post last weekend called [My Favorite Business Model](#). I posted it earlier today. Here is how I described the business model:

Give your service away for free, possibly ad supported but maybe not, acquire a lot of customers very efficiently through word of mouth, referral networks, organic search marketing, etc, then offer premium priced value added services or an enhanced version of your service to your customer base.

At the end of the post I asked for some suggestions of what I should call this business model. I've gotten 33 comments already which may make this the most commented post I've ever written, surely its the most commented post in the first day I've ever written.

And at the risk of calling the game before it's over, I have to go with **Freemium**. I love the name, suggested by Jarid Lukin of the Flatiron portfolio company [Alacra](#).

So from here on in, I will refer to this business model as the freemium business model. I hope the name sticks because I love it.

..obviously blogs are of some relevance....

Freemium: Certain requirements

- Connection between actors, so word of mouth and other marketing strategies work. Usually based on internet communities
- Scalable model design: running costs evolve from both free and premium offering, each new premium customer increases overall profit
- Cost calculation must make sure that operation cost of all offerings can be covered by the profit gained by premium offering alone

Definition of freemium model

- Combines „free“ and „premium“ business model
- Initial offering: basic services for free
- Charge for advanced or special features
- Effect:
 - Gain customer base by means of offering basic services for free
 - Grow profitable by winning paying customers for extra services
- Examples: Relationship networks offer very useful basic services with limitations
 - OpenBC/Xing
 - flickr.com

Adaption of freemium model to EGN

- Aim: gain a significant customer base by offering free geonames data expecting that this is of significant value to customers
- Free, officially approved and quality assured geoname data access delivers value that is (actually) not delivered by any other offering
- To avoid misuse, service levels will not be guaranteed: if too many requests occur over a given period from a certain ip range, access is blocked

Elements of EGN BM: Value Proposition

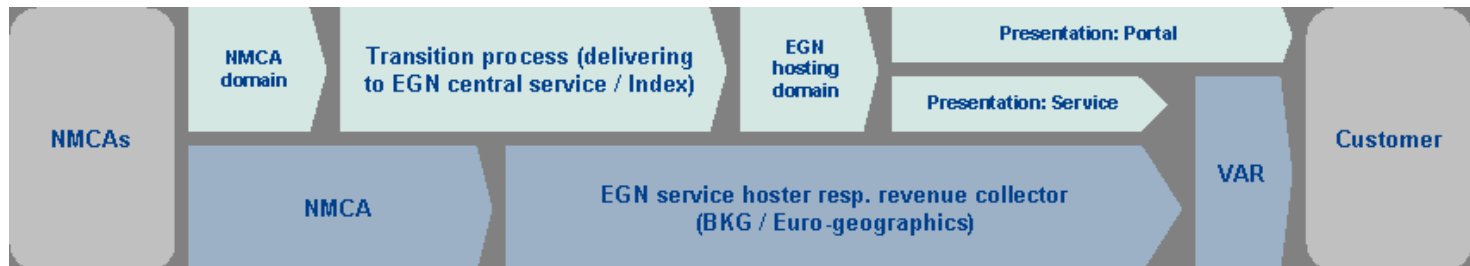
- What is unique about the EGN service?
- What distinguishes the EGN service from competitors?
- What kind of value does the EGN service generate for its customers?
 - business-specific value
 - Increased efficiency

Elements of EGN BM: Customer segments

- Which customer segments does the EGN service address?

Elements of EGN BM: Distribution channels

- How is the EGN service and Geonames data distributed?
- Which production process lies beneath the model?



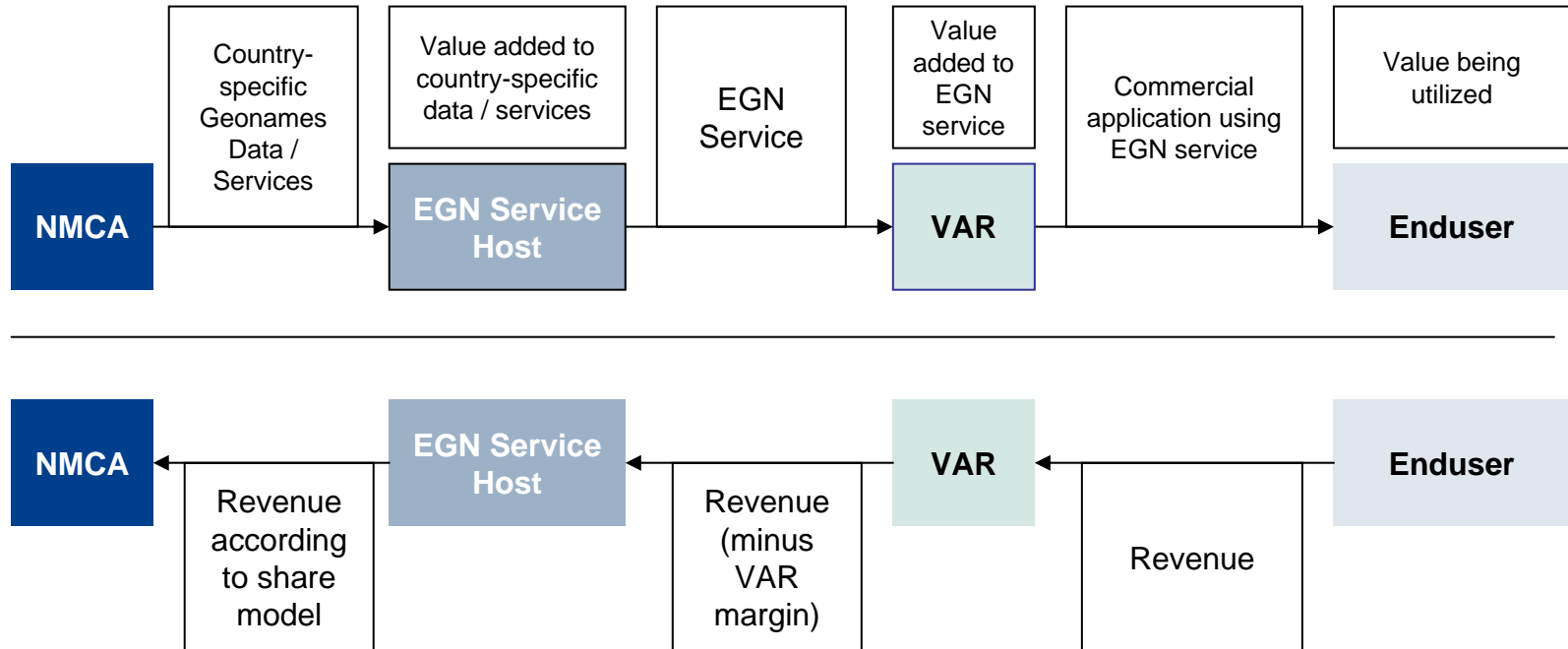
Elements of EGN BM: Customer relationships

- How does the EGN service distributing organisation connect to the target market?

Elements of EGN BM: Value configuration

- What is the specific value chain within the EGN service and geonames data offering?
- Some possible elements for description of the value configuration can be:
 - Organizational setup
 - Process steps within a value chain

EGN Value Chain



Elements of EGN BM: Partner network

- Core partners
 - EGN consortium partners
 - Reference group members
 - Partners of VARs?

Elements of EGN BM: Cost structure

- Investment cost
- Operation and maintenance cost
- Consensus on cost model developed within cost/benefit analysis?

Cost/Benefit Analysis



Cost/Benefit Analysis

EuroGeoNames™

ECP 2005 GEO 038026 EGN >
EuroGeoNames

Cost/Benefit Analysis

Deliverable number: D-J8.1
Dissemination level: Confidential
Delivery date: 16 February 2007
Status: Final (Stage 2 of 3)
Author(s): Bernhard Pisslack, Bernhard Schneider, Markus Ulrich

eContentplus

This project is funded under the eContentplus programme,
a multilateral Community programme to make digital content in Europe more accessible, usable and exploitable.

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Annex A: Cost/Revenue Model

EGN Service

Segment	Part	Cost element	Initial cost (EUR)	maintenance cost per
WS Infrastructure	Server	Web/Application Server	10.000	
		EAI Server (MOM, OLTP...)	20.000	
		Other App/DB servers	10.000	
		Orchestration Server	5.000	
		Routers and Firewalls	20.000	
		Directory and Security Servers	20.000	
	SW	WS Management	2.000	
		MO Middleware	2.000	
		XML Firewall	1.000	
		WS Developer tools	10.000	
Exonym DB	HW	WS Monitoring and measurement	2.000	
		WS Diagnostics and failure	2.000	
	SW	EAI Tools	10.000	
		DB Server	20.000	
Security infrastructure (?)	SW	RDBMS licence	20.000	
			30.000	
Other	Facilities	Energy / data transmission	10.000	
		Communication cost (Voice/data)	3.000	
Subtotal			199.000	

Segment	Part	Cost element	Initial cost per year per FTE (EUR)	ongoing cost per year
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Elements of EGN BM: Revenue model

- Revenue streams: how are they generated?
- Revenue estimates?
- Consensus on revenue model developed within cost/benefit analysis?

Cost/Benefit Analysis

EuroGeoNames™

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Annex A: Cost/Revenue Model **Revenue Model (Addressable Market Volume)**

Target Group	Usage type	Number of users	Level of Service	Service-level
emergency services; health and safety	online	30	3	1 count
emergency services; health and safety	offline	20	3	1 count
cross border market analysis & asset management	online	640	3	Pan Europ
border crossing routing; transport and delivery service networks	online	1793	3	Pan Europ
border crossing routing; transport and delivery service networks	offline	1793	3	Pan Europ
hotel reservation services	online	20	1-3	Pan Europ
tourism	online	640	1-3	Pan Europ
private sector map and atlas producers	offline	279	3	Pan Europ
educational establishments, libraries	online	50	2-3	Pan Europ
mass media (broadcast, TV)	online	30	3	Pan Europ
mass media (broadcast, TV)	offline	30	3	Pan Europ
location based services (LBS)	online	601	3	1 count
location based services (LBS)	offline	601	3	1 count
others	online	500	2	1 count
private	online	100000	1	1 count

Total

Revenue flows within EGN BM

- Suggestion as a starting point for discussion
- Rationale behind it: all contributing partners need to be motivated to help build an attractive service; thus all contributing partners must receive something in return....
- Actors that should be considered
 - Suppliers of technical infrastructure: EGN service host
 - Suppliers of geonames data that is requested by the actual end-user: local NMCA
 - Suppliers of geonames data that is not being requested by the actual end-user: other NMCAs