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EuroGeoNames Business Model Proposal

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¹ OJ L 79, 24.3.2005, p. 1.

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1 Purpose of the Document

This document proposes a business model for the EuroGeoNames gazetteer service. It is developed by the EuroGeoNames consortium with participation of the NMCAs. The document describes the specific economic setting in which the EuroGeoNames service will be operated. In order to clarify the concept of business models, and to clarify the necessary terms, a conceptual framework is presented.

This document relates strongly to the other two sub-documents, namely the cost-revenue analysis and the marketing strategy.

The scope of the WP10 is to propose a sound business models for the gazetteer service as well as to outline possibilities for the targeted VARs and Service Providers as basis for bringing the business models to work as well as building a marketing outline and plan.

This taken into account there has to be defined a methodology do develop business models like in a more or less standard business-plan since the target groups are businesses. The EGN webservice has to be treated as a business too, since the funding on the EU-level is initial and the service has to be self-serving in all respects asap.

This report on the development of the EGN business model reflects the state of work on the business model development at the time of its issue.

2 Abbreviations

FTE	Fulltime equivalent
GIS	Geographical Information System
DoW	Description of Work
TG	Target Group
EGN	Eurogeonames
VAR	Value adding reseller
WP	Workpackage
NMCA	National Mapping and Cadastral Agency

3 Glossary

Tangible benefits are directly measurable benefits achieved by the exchanges of goods, services or revenue. Usually this involves a formalized business relationship between actors within a flow of goods or services exchanged against money.

Intangible benefits are benefits of which the advantage cannot be directly measured in flow of goods or services exchange against money. Usually these benefits are generated in the area of knowledge gains, processual knowledge or strategic information advantages. Gaining intangible benefits often leads to the creation of tangible benefits; the difference lies within the measurement criteria.

Breakeven (point) is the point on a timescale where a business undertaking's cost or expenses equal its income.

Business case is the outline of a single business undertaking within a company or an organization in terms of economical feasibility. Usually the (investment and running) cost of the proposed undertaking is weighted against the results of investing the same amount in capital markets.

Business plan is the outline of all activities within a company from an economical point of view. Business plans might be seen as the sum of all business cases existing within a company.

Intermediary is an organizational unit within the business process that links two actors by handling services or goods flow from one actor to another. Usually intermediaries tackle issues like complexity of products or services before they hand over to third parties.

4 Objectives

WP10 of the EGN project is given by the objectives formulated in the Description of Work of the eContentplus proposal for EuroGeoNames, henceforth referred to as "DoW". The following quotes are taken from this document.

4.1 Objective of WP 10

"The EuroGeoNames project is targeted primarily at value added resellers (VARs) and service providers to develop specific applications for their customers and deploy value-added GIS products by using the EGN Web Service."

4.2 Objective of WP 10 – Task 10.2

“Analysing the business environment in terms of potential market and related business actors from public and private sector. Developing a business model for the EGN Web Service for determining a suitable pricing model and for enabling transparent and secure dissemination of EGN Web Service usage fees. Developing a marketing concept for making known the EGN Web Service to institutions potentially interested in exploiting the service for their Web GIS Applications.”

5 Tasks within WP 10

The following quotes are taken from the DoW, section WP10.

5.1 Task 10.1 – Estimation of Market Potential

"Carry out further case studies in order to analyse the potential market development from the exploitation of enhanced geographical names data. Analyse the impact of the new process chain of geographical names data provision by identifying costs changes from the existing models (implementation, operation and maintenance) and the expected new revenues for the different categories of actors, e.g. for the data providers, etc (Cost-benefit Analysis).”

This task has been carried out in relation to the cost-benefit analysis – Subdocument 10.1 where the overall addressable market volume has been quantified.

The market segmentation has been carried out by defining TGs, whereas a description of these groups and their activities can be found in chapter 5.2.1.1 of deliverable 10.1.

5.2 Task 10.2 – Development of Business Model

“Develop a solid business model for the re-use and value adding of European geographical names data. The business model will define an accounting infrastructure which will be the basis for making the EGN Web Service paid. The heterogeneous strategies for Geodata distribution in the member countries will have to be accounted for, and a transparent and secure distribution of application fees will have to be ensured. The business model will also suggest an overall pricing strategy. Organise discussions with the main actors, including at least one workshop.”

The document at hand is dedicated to this task. Involved other workpackages are mainly WP 2 “User/Business requirements” and WP 6: WS Infrastructure.

5.3 Task 10.3 – Development of a Marketing Concept

“In order to foster a widespread application of the EGN Web Service, its availability, the functionality and the properties that distinguish it from competing products must be promoted. Develop a marketing concept, to be presented on selected Internet Pages, at conferences and fairs, and in print media will be the main activities.”

This work will be carried out in later stages and result in deliverable 10.3.

6 Goods, Services, and Parties Involved

The envisioned EGN service will distribute existing geonames data provided by the NMCAs by means of a gazetteer service, that is, the EGN service. This service will be integrated into commercial or non-commercial applications and services delivering – directly or implicitly – geonames data to the user of such applications and services. The following example illustrates this setting.

Some touristic institution operates a touristic portal for a particular region. Users can search for places (cities, points of interest, lakes, etc.) in their own language, read information about these places, and see them displayed on a variety of maps. Furthermore, some functionality on public transport schedules and hotel reservations may be provided. This touristic portal integrates the EGN service for the place name search functionality.

In this example, the actors are: i) the user utilising the portal, ii) the touristic institution operating the portal, iii) a VAR providing a commercial application supporting setup and/or operation of the portal, iv) EGN providing the EGN service and the variant names, v) the NMCAs providing the EGN local services and the place names data.

We may regard the touristic institution as a VAR in this example, conceptually. Abstracting from the example, the actors can be described in general terms (and in reversed order) as follows:

- The NMCAs are the institutions delivering the basis for an EGN service, that is, the geonames data together with the EGN local services.
- The *EGN institution* offers the EGN central service. It will be used in commercial and non-commercial applications and services set up and operated by so-called value adding resellers



- (VARs). (The actual nature of this institution needs to be determined in the progress of the EuroGeoNames project.) Additionally, the EGN institution provides the variant names.
- The value adding resellers (VARs) integrate the EGN service into their own commercial or non-commercial offerings, to be referred to as VAR services.
 - The user of a VAR service – henceforth referred to as *end user* – requests services or information delivery which includes the usage of the EGN service. The EGN service itself will usually remain hidden to the end user.

There are two kinds of offerings:

- the goods, i.e., geonames data, captured, maintained, and provided by the NMCAs.
- a service, i.e., the EGN service, which is the means to deliver the goods, and which is operated partly by the EGN institution, partly by the NMCAs.

The offerings are distributed to the respective customers as indicated in figure 1.

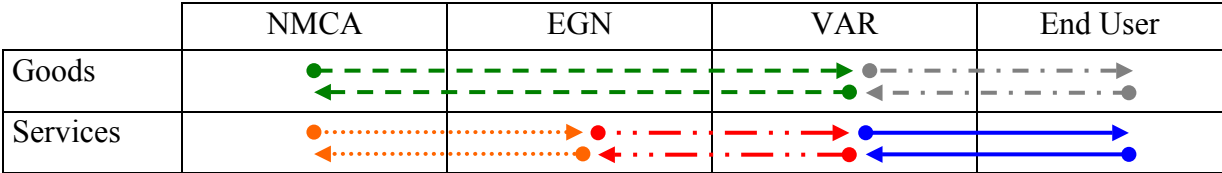


Figure 1. Offering of goods (geonames data) and services (EGN service and VAR services) and according revenue streams. The variant names provided by EGN are not considered.

Each offering represents a link in a value adding chain and generates an according revenue stream. The following pairs of offerings and revenue streams can be identified. The indicated arrow colours refer to figure 1.

●-----> **NMCAs → EGN**. Both parties are in a symbiotic relationship. On the one side, the NMCAs provide the geonames data without which the EGN service would not function. Additionally, they operate their own local EGN services that form an integral part of the overall EGN service. On the other side, the EGN institution brings the local services together and, thus, provides the platform for enhanced, Europe-wide distribution of geonames data. While the two parties will act as one when offering the EGN gazetteer service, the relationship between them needs to be addressed when pricing

schemes for geonames data and usage of the EGN service are determined, and when a revenue share model is negotiated.

●---▶ **NMCAs → VARs**. The NMCAs provide the data that the VARs forward to their customers via the VAR services. Hence, the VARs ‘buy’ the data for their customers. Direct integration of the EGN local services in the VAR services or application is not considered here.

NMCAs → End User (not shown in figure 1). Because the actual user of the geonames data is the user of the VAR service or application, it can be argued that the end users themselves (rather than the VARs) should be billed for the data. This scenario is included here for completeness.

●---▶ **EGN → VARs**. EGN offers the EGN service to the VARs. Usage of the EGN service adds value to the VAR services. For this reason, EGN can bill the VARs for this usage.

●---▶ **VARs → End Users**. The relation between VARs and end users is twofold. First, the end users use the VAR services. The VARs may or may not charge the users. Second, the VAR service or application integrates geonames data in one way or the other. Hence, by using the VAR service or application, the end user also uses the geonames data. As a result, the VAR may consider charging for the geonames data. This charge will be the cost for the geonames data itself plus profit margin. Both aspect of the relation between VARs and end users need to be affected by the EGN business model, but will be included in it.

7 Conceptual Framework for Business Model Development

The conceptual framework proposed as basis for the EuroGeoNames business model is an adaptation from diverse sources describing the definition of business strategies, business models and business plans. It has been selected, first, because of its whidespread acceptance, and second, because of its conceptual formality. The latter property is considered crucial for a development of a sound business model .

The development of the business model will be performed in the following steps combined with accompanying investigations and market studies:

Step 1: Vision and strategy formulation, positioning

Step 2: Define a business model as basis for a decision. This should allow for a systematic translation from strategy (as indicated in step 1) to practicality. Directional input for specification of a marketing plan is also generated in this step.

Step 3: Introduce first suggestions for controlling measures as a means for monitoring and steering the business; this is to be carried out as part of the organizational setup period and thus will be formulated within the marketing plan concept.

7.1 Business Strategy

As basis for the formulation of a strategy, the objectives set by the EU for the EGN infrastructure within the DoW are used as a guideline and focus.

The general objectives for the EGN infrastructure and services proposal are:

- Aggregation of existing European public sector geographical names information in order to provide harmonized access to a multilingual pan-European data infrastructure for the citizen, governance, and value-added services.
- Increased availability and usability of authoritative national geographical names data.
- Increased re-use of geographical names in spatially related decision-making processes.
- Increased re-use and value-adding by commercial enterprises.
- Stimulation of European National Mapping and Cadastral Agencies towards better integration of geographical names data into national SDIs.

The specific objectives for the EGN infrastructure and services proposal are:

- Support of all officially recognized minority languages (where data is available and applicable).
- Development of a network of geographical names experts.
- Easy and rapid linkage of exonyms with their corresponding endonyms and vice versa.
- Attainment of cost efficiencies in the collection, handling, storing, maintenance and distribution of geographical names data.
- Development of an implementation plan for continuing and extending the service(s) beyond the end of the project

Giving an indication of questions that need to be addressed in the marketing plan, some important points will be as follows:

- What is the common understanding (in to the EGN consortium) towards our *vision of success*? What needs to be the result of the EGN project so that we consider it successful? In principle, there is a wide range of possible answers, including:
 - All workpackages and tasks of the project have been successfully completed.
 - A EuroGeoNames gazetteer service is up and running.
 - A profitable EuroGeoNames gazetteer service is up and running.
 - Europe-wide awareness has been raised towards the EuroGeoNames service.
 - The EuroGeoNames project is a reference for prospective projects in terms of economical success.
 - The EuroGeoNames project is a reference for prospective projects in terms of best practices.
 - The EuroGeoNames project is a reference from a technical perspective.
- What are the barriers between the present status and the vision of success?
 - Competition
 - Cashflow generation unsuccessful
 - Technical hurdles
- What strategic actions (i.e., strategic action plan) have to be taken in order to overcome the identified barriers?

In general, there are some challenges as indicated by the workshop(s) on business models. The NMCAs follow different approaches delivering services to the public and the economy – profitable undertakings contrast publicly funded institutions without heavy focus on generating revenue but maximising use of date, sometimes giving it away for free. This makes it quite difficult to reach an agreement on a common approach regarding the business strategy of the EGN project and directly influences the business model approach.

As a first step, a differentiation between two periods has been made:

- The funded period of the EGN project is not covered by this conceptual business model.

- The business model described in this document covers the time beyond the funded period (Feb. 2009 ff.) and must be regarded as a conceptual approach. The final workshop on business models (Nov. 2007) will result in a decision which conceptual approach will be used as base approach for the time beyond Feb.

7.2 Business Model

In the definition adopted in the EuroGeoNames project, a business model covers the logical (“how”) and structural (“by what means”) aspects of revenue generation with all aspects involved. Thus, the business model design includes the modeling and description of the following points:

- core capabilities and value proposition
- target customer segments
- distribution channels
- customer relationships
- value configurations
- partner network
- cost structure
- revenue model

The following sections define and discuss these points.

7.2.1 Core Capabilities and Value Proposition

- Definition:
- Unique qualities and unique possible applications that distinguish the EGN service from competitive offerings;
 - Value that the EGN service generates for customers (such as information specifically requested by business processes, increased efficiency of work, increased level of accuracy).

WP 2 identified the targeted industries and the related business processes where the functionality of the EGN gazetteer service will be needed (table 1). These processes are industry-specific and form the basis of an industry-specific value creation. They are also reusable building blocks within the industry-specific value chain. Analysis of the services of current competitors revealed that the needed functionalities are not delivered by a single offering (table 2). Thus, the unique selling proposition for the EGN service may emphasize the comprehensive set of functionalities.

Functions	Finance	(Web) Sales Tourism	Marketing	Media	Distri-bution	Spatial planning	Producing map data
A- city name normalisation	+++	+++	+++	+++	++	+++	+++
B- city name translation:	++	+++	+	+	+++	++	+++
C- city name enrichment:	+	+	++	+		+	++
D- city indexing:		+++		++	++		++
E- geocoding:		++	+++	+	+	+	
F- geoindexing:		++	+++	++	+	+	

Table 1. Relevance of gazetteer service functions in industry-specific business processes.

Unique Selling Proposition	EGN	competitive offering
Primary data	yes	no
Officially approved data	yes	<i>unknown</i>
high quality data	yes	<i>unknown</i>
currency of data	yes	no
delivered by experts	yes	<i>unknown</i>
completeness of coverage	not yet	not yet
large-scale coverage	partly	no
According to European standards	yes	no
including street-level data	no	some

Table 2. Unique selling propositions of the EGN service and of competitive offerings

Regarding core capabilities, there are three different aspects to consider:

- Technical capabilities are covered in WP2 and outlined in chapter “Value configurations” of this document. Requirements for these capabilities are specified
 - as cost drivers within sub-document WP10: cost-benefit analysis
 - as a technical specification within WP 2
- Knowledge capabilities refers to the know-how required for the production of an asset – in this case the EGN service – and for its distribution.
- Capabilities necessary to fulfill sales strategy requirements refer to the marketing strategy and plan with regard to required staffing.

7.2.2 Target Customer Segments

Definition: – Customer segments targeted with the EGN central service;
– Segmentation of the potential market.

Target customer segments are given through the industry classification stated in D 10.1 chapter 5.2.1.1. This document also proposes a market segmentation together with an estimate of the potential market volume.

7.2.3 Distribution Channels

Definition: – Ways of distributing the EGN service and Geonames data, that is, chains of distribution (the chain of intermediaries such as distributors, agents and retailers between production and end-user);
– Distribution channels may be considered as the chain of intermediaries the EGN service and Geonames data passes from production to end user.

The production process for the EGN service can be specified in the following way:

On delivery to the customer there are different distributed products (Geonames data and the EGN service) and different distributing units (the NMCAs, the EGN service host and the VARs).

The NMCAs act as a vendor of Geonames data for the VARs and as providers of a local service that is fed into the pan-european EGN gazetteer service.

The EGN service host acts as an intermediary offering the central service to VARs as the technical hosting instance. The organization taking over the marketing unit role is not yet agreed upon. As an additional presentation layer for the public a portal access (limited access possibilities, pls. see WP 10 Deliverable 10.1 for details) will be allowed.

The VARs represent both sellers of geonames data to the customer as well as integrators of the EGN central service into end user client applications (figure 2).

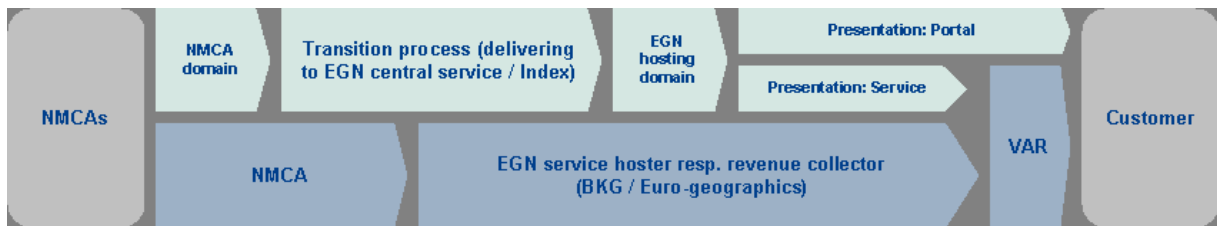


Figure 2. Value adding chain of the EGN service.

7.2.4 Customer Relationships

Definition: – Activities to connect the EGN institution and the target customer segments in order to generate and maximise revenue streams.

- From a production point of view this will be carried out within planning of the marketing strategy once the basic structure of the delivery organization (EGN central service host) has been carved out.
- Seen from the sales process (that has to be defined in the marketing plan) usually as a first step key target group aggregators are being approached, i.e. trade or industry organizations.
- Possible triggers for maximization of revenue streams is addressed within chapter 8.3 of this document.

7.2.5 Value Configurations

- Definition:
- Value configurations can be described as a value chain (a process chain where each step adds value) or a value network (the linking of different actors where the value is generated by providing the linkage itself). As examples for a value network research communities or ebay.com might be considered.
 - Elements for description of the value configuration can be the description of an organizational setup, a listing of detailed process steps within a value chain, and measures for delivering the EGN service and Geonames data;
 - Usually, the value configuration of an organization is so specific compared to those of competitors that it forms the source for its unique selling points.

The EGN-specific value configuration will be expressed via an organizational diagram and activities to be used as process chain descriptors. These can be found as a result of the marketing plan layout in respect to

- customer relationships; the delivery organization to be detailed for each relationship
- detailed distribution channels; as a precondition the delivery organization has to be identified and described

The exact value configuration description will be found in the marketing plan (WP10, D 10.3)

7.2.6 Partner Network

- Definition:
- The network of partners for distribution of the EGN service and Geonames data;
 - cooperative agreements with other partners to improve offerings and value generation, i.e. business alliances.

The core partner network consists of the EGN consortium partners and the members of the reference group.

7.2.7 Cost Structure

- Definition:
- Investment, maintenance, and operating costs of EGN local and central service. Excluded are cost from geonames production within the NMCAs.

Required personnel is usually expressed in Fulltime Equivalent (FTEs). A cost model roughly estimating setup, maintenance and operation cost for the EGN central service is outlined in WP 10, Deliverable 10.1.

7.2.8 Revenue Model

Definition: – The sum of revenue streams generated by sales of EGN products or services.

The cost model is outlined in WP 10, D 10.1: Cost-benefit analysis. Expected revenues have been estimated there as well. The revenue estimates outlined there do not cover inter-services revenues resp. a conceptual revenue share. A draft revenue share model between all actors being part of a business model proposal is presented in chapter 8.3 of this document.

The pricing model used for the revenue estimation indicates different revenue collecting points:

- VARs
- EGN service host

It is suggested that the VARs should be free to build their own pricing scheme on top of the pricing model applied by the EGN and the NMCAs.

7.3 Business Cases

If the business model conceived drafted in this document is used for the time period beyond funding, Business cases can be an important help in further steps of adapting the business model to the EGN activities.

The following outline describes the concept and the steps to follow if such an approach is taken.

Business cases represent the reasons and the justifications for doing a business project. They include an appraisal of the costs and (tangible and intangible) benefits as well as project risks. In this sense, business cases form a foundation of a business project. the

The purpose of identifying and describing business cases includes:

- Business cases are used to obtain management commitment and approval for investment in business (or business change) through rationale for the investment.
- Business cases provide a framework for planning and management of the business (or business change).
- The ongoing viability of a project will be monitored against the pre-identified business cases.

The business cases should yield at least the following:

- the reasons for the project;
- an appraisal of the different options to achieve the business benefit, and a rational why a particular option is selected;
- an identification of the tangible and intangible benefits;
- an assessment of the risks involved;
- an analysis of the expected investment and running costs and timescales;

The business cases exist throughout the project lifecycle and should be regularly re-appraised in order to answer the question: “Is the business project still viable and worthwhile?” Business cases should be consulted at least at the following milestones and project processes:

- preparatory and initial realization phase of a project,
- at managing stage boundaries,
- during controlling a stage when analysing the impact of issues, and
- during closing a project to help inform the post-project review planning.

To facilitate the creation of a sound business case, the outline of the business model as described in chapter 6.2 is proposed as framework.

7.3.1 BC Fitness for Purpose Checklist

The following list serves as guideline to check the completeness of a business case description:

- Is the purpose for the business undertaking (the business need) clearly stated?
- Have the benefits been clearly identified?
- Is it clear what outcome the business project needs to have in order for it be regarded successful?
- If there are options in carrying out the business project, is it clear what the preferred option is? And is it clear why this is the preferred option?
- In case of needs for external procurement of goods or services, is there a clear view on what the sourcing options are (i.e. vendors, requirement specifications) ? Are there any preferred sourcing options and why?
- Is it clear how the necessary funding (usually covering of setup and running costs until the breakeven has been reached) will be put in place?
- Are the risks of the project explicitly stated? Are the plans for addressing the risks explicitly stated?

7.3.2 Business Case Content

The Business Case has to contain information covering five key aspects: strategic fit, assessment of options, commercial aspects, affordability, and achievability.

7.3.2.1 Strategic Fit

- Minimum content needed for this section:
- Description of the business need and its contribution to the organisation's business strategy

7.3.2.2 Objectives

- Why it is needed now
- Key benefits to be realised
- Critical success factors and how they will be measured.

7.3.2.3 Assessment of Options

- Minimum content needed for this section:
- High level cost/benefit analysis of (ideally) at least three options for meeting the business need
- Include analysis of 'soft' benefits that cannot be quantified in financial terms
- Identify preferred option and any trade-offs.

7.3.2.4 Commercial Aspects

This section applies if there is an external procurement of goods or services in order to setup or run the business planned in the business case and outlines a potential deal.

The following minimum information is to be given:

- proposed sourcing option for goods or services with rationale for its selection;
- key features of proposed commercial arrangements, e.g., contract terms, contract length, payment mechanisms, and performance incentives;

- procurement approach and strategy with supporting rationale.

7.3.2.5 Affordability

The following minimum information is to be given:

- Statement of available funding and 'ballpark' estimates of projected whole-life cost of project
- Including departmental costs (where applicable).

7.3.2.6 Achievability

The following minimum information is to be given:

- High level plan for achieving the desired outcome, with key milestones and major dependencies (e.g. interface with other projects)
- Outline contingency plans e.g. addressing failure to deliver service on time
- Major risks identified and outline plan for addressing them
- Provider's plans for the same, as applicable, skills and experience required.

7.3.3 Sourcing Information

If external sourcing is a building block of the proposed business undertaking, the business processes rely on an external source for goods or services. These can be modified or integrated (without modification) into the business processes: raw materials are often modified within a process or value chain (thus creating new products or parts); web services are usually integrated into a services landscape without modification. Sourcing options have to be described exactly in order to avoid cost or organizational risks occurring in later stages of running the business.

The following minimum information is to be given:

- procurement documentation;
- programme or project management plans and documentation;
- high-level requirements;
- business strategy.

7.3.4 Stages for Business Case Development

It is suggested that the business cases are developed in three stages:

- The *Preliminary Business Case* (or *Strategic Outline Case*) confirms the strategic fit and business need in a brief way (typically one, not more than two pages).
- The *Outline Business Case* gives an indicative assumptions to support the preferred way forward (including procurement strategy, if applicable), variable length depending on the scale of the project.
- The *Full Business Case* validates the assumptions to support the investment decision, variable length depending on the scale of the project.

8 Business Model

Based on expertise in closely related business fields and projects, the authors present the draft for a potential EuroGeoNames business model. The business model described in this section serves as the basis for a common understanding of the notion and purpose of a business model and is thought to be a starting point; beyond the funded period of the EGN project there will be need and chances for developing this further and adapt it to the real business activity.

8.1 Definition of the Freemium Business Model

The freemium approach to business models is popular where Internet services such as search services of different kinds are provided to a large user base, and where the service is only accepted if individual usages are free of cost. The provider of such a service, however, will charge where either the usage exceeds individual requests, or where additional requirements regarding, for instance, performance or level of service exist. The term freemium is a concatenation of free and premium.

According to online encyclopedia Wikipedia, this business model has been coined within venture capital firms:

“The freemium business model was first articulated by venture capitalist [Fred Wilson](#) on March 23, 2006:^[3]

“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.”

8.2 Adaption of the Freemium Model to EuroGeoNames

8.2.1 The basic concept of the freemium business model

The basic concept of the freemium business model needs to be adapted taking two major constraints into account:

- The marketing budget for EuroGeoNames will be limited.
- Geonames data are widely perceived as free, especially if they are not used as is but as an integral part of a service (that is, a VAR service or application).

The original idea of the freemium model is based on different starting times of free and premium offerings: It starts with the free component and adds the premium offering when a certain market penetration has been reached. This is changed as far as the “free” and the “premium” part of the offering will be marketed simultaneously. This is viable because VARs and major industry players are involved from the very start of the project and support the marketing approach.

The free component is represented by a portal component that grants access to the EGN service and thus the NMCA data without defined service levels (as similar to the approach of Google maps, where IP ranges that generate too much traffic are blocked temporarily) but is attractive enough to be of value to the user. The commercial side is represented through VAR offerings, together with a pricing scheme and a revenue share model. The underlying EGN service offering does not distinguish between VARs but different offerings that have been specified in the cost/benefit analysis and take into consideration different needs in terms of amount of data requested, geographical reach and others.

A pricing scheme suggestion has been constructed within the Sub-task cost/benefit analysis as a necessity to quantify revenue estimates resp. market volume quantification.

8.2.2 EGN reference Group point of view

In order to gather the point of view of the EGN Reference Group, a questionnaire was developed and handed out. There were three options for a business model and a special question about the importance of target group specific offers.

8.2.2.1 Questionnaire

The following questionnaire was sent to all members of the EGN Reference Group.

There are three options for the time beyond the funded project period of EGN. Which one will you / your organization support: Option A, B or C?

A. We should develop a “complex” business model according to the outlines from proposal D 10.2 in combination with D 10.1

Outline: A technical solution would require use of a web authentication service and a web security service, authentication of the user has to be provided based on the individual rights (ref. pricing model) of this user. Individual rights have to be defined exactly and the legal and contractual requirements must be clarified.

The model is expandable, that is to say it is constructed allowing for integration of NMCA-specific existing product sales (offline data) though this is currently not subject of the EGN project. The model might not maximise usage of existing data.

B. We can use some elements from the proposal D 10.2; however we should construct a simplified approach towards developing a business model for the EGN service beyond the funded period

Outline: A technical solution would require use of a web authentication service and a web security service; however there is no user rights differentiation, thus only one standard contractual solution has to be defined. It can be compared to a flatrate (or similarly simple) access mode. The authorisation grants full access to data; no further specification of access rights are being undertaken.

C. We don't need to discuss a business model for the time beyond the funded period at all

Outline: Only very simple measures are taken; there is no aim of generating revenue with the EGN service. Revenue generation and contractual issues are left to NMCA-specific business goals for their national products, the scope and richness of EGN-provided data might be limited.

What do you think of choosing the different options A, B and C individually for different target groups as specified in D 10.1?

For example: Selecting option C (no business model at all) for map makers and atlas producers whilst choosing option A (complex business model) for the TG travel and tourism.

If you find this appropriate, please indicate your preferred combination of TGs and options.

8.2.2.2 Results of the questionnaire

Ten members of the EGN Reference Group provided their answers to the questionnaire.

Question 1:

The majority selected answer A. That means a “complex” business model. However, some additional comments were made often referring to elements of answer B “simplified approach”. A list of all comments (anonymized) is given in the annex.

Question 2:

Here the result was not definitely. From 10 returns only two countries answered with "yes" there should be target group specific offers, four countries considered this aspect as not important, one country prefer no target group specific offer but a differentiation between a commercial or non-commercial use and three countries did not answer to this question. A list of all comments (anonymized) is also given in the annex.

The Business Model issue is a relatively new field for NMCAs. This is, in a certain way, reflected in the variety of given answers respectively comments. A very specific BM beyond the funding period can't be proposed at this stage. However, It seems to be clear that there is a preference for developing a “complex” business model in the future.

8.3 Revenue Share Model

The revenue share model needs to take the following points into consideration:

- The revenue is a core *motivational element*. If a relevant actor is not convinced to bring in data, services, or other activities or expertise, for instance in marketing, the business project will not be fully efficient.

- The revenues need to at least *cover the costs* for maintenance and operation of the EGN service. Of course, all parties – VARs, EGN, and NMCAs – will aim at adding profit margins.

The motivational element is crucial with respect to full coverage. The unique selling proposition of the EGN service includes its European-wide coverage. Thus, the NMCAs of all European countries need to be motivated to provide their data and operate the infrastructure to connect with the EGN service. There will be different levels of demand for different countries. There are a number of properties of the NMCAs geonames database that need to be considered when developing a revenue share model, including:

- number of geonames in the database,
- granularity, i.e., maximum scale,
- quality measures such as richness of the feature catalogue, completeness, accuracy,
- number of geonames queries generated through the EGN service.

Setting up the technical and administrative means for participating in the EGN service requests high initial investment. This is one of the reasons why it is regarded indispensable that the revenues at least cover the costs of maintaining the operating the EGN service for each participating NMCA.

Finally, the business model of the EGN service should also allow the VARs to realise reasonable profit margins. Otherwise, acceptance of the EGN service may be affected.

With consideration of these requirements the draft for a revenue share model is presented. For each individual usage of the EGN service, this model distinguishes three types of partners:

- EGN
- regional NMCA (country of origin for the requested data)
- all other NMCAs

VARs will calculate their profit margins individually based upon the richness of their offerings that are including the EGN service offering. These are company-specific pricing schemes according to individual strengths and weaknesses of VARs so they will be left out in the revenue share model.

The core offering and subject of discussion is the revenue generated by the EGN service; however the whole project might lead to sales opportunities for offline datasets (by the NMCAs) as indicated in our cost/benefit analysis. These are not considered in the revenue share model. This leads to the proposal for sharing the revenue stream as illustrated in table 3 and figure 3.

	Offering	Customer	Initial revenue collector	Revenue share
Revenue flow / share "Commercial service use"	Use of EGN service	Enduser	VAR	VAR: added premium EGN: 40% regional NMCA: 40% all other NMCAs: 20%
Revenue flow / share "Commercial service use"	Use of EGN service	VAR	EGN / NMCA	EGN: 40% regional NMCA: 40% all other NMCAs: 20%
Revenue flow / share "Casual service use via portal"	Use of EGN portal	Enduser	none (free)	

Table 3. Types of revenue flows and according share model.

The presented draft for the revenue share model takes the following issues into consideration:

- The EGN service host and the NMCAs both have cost disadvantages (running the infrastructure, keeping the service levels, accumulating administrative and marketing costs). Also the expected amount of traffic for “free” access to the EGN data can vary a lot thus including cost risks for the service host.
- The NMCAs should receive the major split of the revenue generated. The revenue for the NMCAs is split into two parts: The NMCAs the geonames data have been queried from receive a larger part, the other NMCAs receive a smaller share. This accounts for the actual usage of the geonames data while including the other NMCAs in the revenues. Of course, larger countries have larger amounts of data, and, thus, these countries are more likely to fall into the first category.

We suggest the following share model:

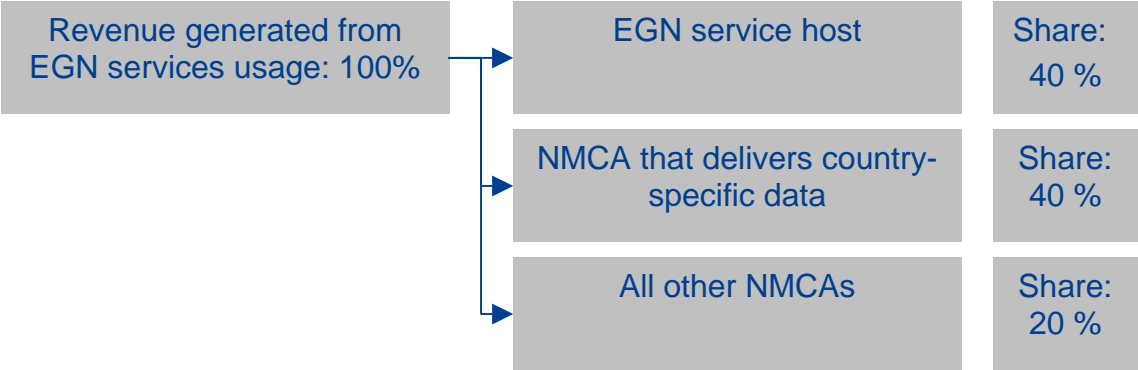


Figure 3. First draft for revenue share model.

9 Annex

Comments of the Reference Group members concerning question 1

"Within the EGN project, the partners involved should propose an expandable business model according to option A, though option B, a simplified approach (e.g. flatrate) should always be considered, too. The EGN Consortium & Reference Group (15 NMCAs) cannot adopt a business & pricing model for the time beyond the funded project duration, but the EGN proposal may provoke at least a discussion. The EGN proposal should be the starting point for the discussion in the NMCAs and particularly within the BIG Expert Group of EuroGeographics.

In addition to that, the EGN proposal should be elaborated allowing for integration of specific product sales (offline data, e.g. "European gazetteer") though this is currently not subject of the EGN project."

"We are of the opinion that within the period of the EGN project participating partners ought to base activities on a complex business model suggested in version A. However some of the less rigorous elements of option B should also be kept always in mind (e.g. flatrate). Beyond the funded period all other relevant data may be included in the service."

"I think the EGN should have a business model. Option A or B – it depends on costs what our Agency should have to spend for implementing the system A or B. We should agree with A, if difference of costs is reasonable."

"Freemium business model, described in D 10.2 is acceptable as a variant of B option.

Decision to serve not only geonames but also features (vector geographic data) would lead to more complex model due to different pricing and licencing models adopted in NMCAs. It is too early to discuss at the moment, however, possibility of corresponding (simple) extension of the accepted model must be foreseen."

"B could be a right solution, but I think option A is better if there is a limited set of standard contracts where a VAR could choose from. The more valueble data, the more the VAR has to pay. Option C is not relevant because the revenues of the EGN-Service should be at least as much as the costs. Even in the case of EGN-dataset with limited richness there are maintenance costs."

"Freemium business model (more like option B with modification) with two option levels to allow:

- free of charge inquiry - for "non-commercial" use (casual users) with limited queries an

- full access to pan-European data with flat rate for "commercial use" independently from the target group (anybody who is willing to pay for).

We have very detailed and rich geonames database in our NMCA. So we intend to provide to EGN only generalised extract of it and in this case we are in favour of the option C of the business model."

"XYZ position consists of:

- allowing free access to our information and services for non-commercial uses
- setting a fee in case our for commercial user

So, the access to our services through the EGN client should be free with no limitation of the amount of queries but the access to our services for commercial use should take place under the payment of a fee."

Comments of the Reference Group members concerning question 2

In the Land Survey Office's opinion, the different options A, B and C are possible to be chosen for different target groups as specified in D 10.1.

"XYZ is not in favour of choosing different options for different target groups. As mentioned before, generally a "commercial use" (licensing) should be differentiated from a "non-commercial use" (possibly free of charge) of the data - independently from the target group a customer may belong to."

"XYZ is not backing choosing different options for different target groups. On commercial on non-commercial use the amount of the requested data rather than the type of user should decide whether a user is commercial or not."

"It should be important. For TG Health and safety, TG Educational should (may be also for TG Libraries) should be not business model."

"Answer: We do not see any value in applying different business models for differnt target groups because:

- a) definitions of target groups are general and allow different interpretations among countries, intersections and changes among groups;
- b) there are many groups and may be more („others“). Differences in specifics of use between groups are either essential (commercial and non-commercial; reflected by the „freemium“ model) or minor, they also may be not properly understood.
- c) Use of more than one business model is difficult to control and becomes a source of problems related with transparency of pricing system."

"I don't think choosing different options for different target groups is necessary. Although I could imagine that there is a cheaper rate for government agencies (Is there something known about the rates to be payed for INSPIRE data?)."

[BS1]1. Unterscheidung bzw. Relation zwischen Distribution Channel Segments (hellblau) und Players (grau) ist nicht klar. 2. Der Distribution Channel „Presentation: Portal“ ist meiner Meinung nach nicht zulässig. 3. Es fehlt die Unterscheidung zwischen Geonames data und EGN Service.