

EGN Workshop 4

Introduction to the EGN Business Model Proposal

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What is a business model?

- Describes how a business works in terms of operational processes, organizational structures, financial aspects...
- Many (slightly different) definitions, but no „official“ one
- Evolution over time, taking advantage of newly emerging technologies and trends

Different types of business models

- Oldest model: Shopkeeper (set up a store in a physical location where goods and/or services are offered to physically present customers)
- Evolving range of different types: based on central elements like
 - Subscription (example: newspapers)
 - Cutting out middlemen (example: Dell)
 - Auctions over the internet (example: ebay)
 -the next big thing....

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

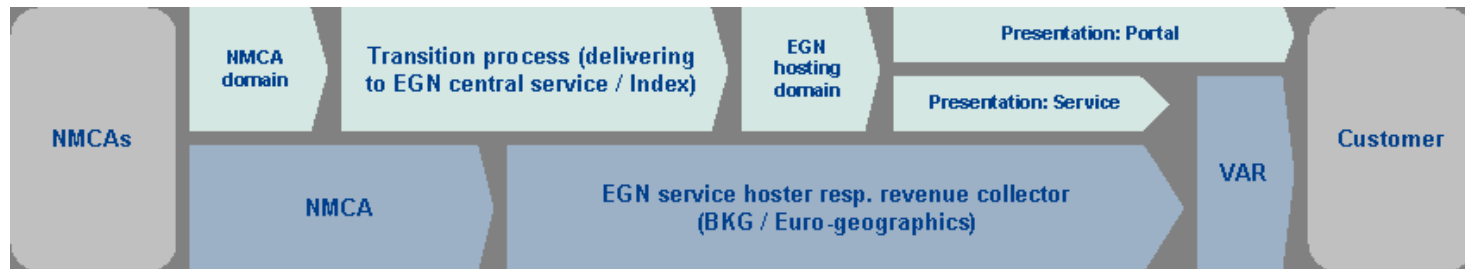
- What is unique about the EGN service?
- What distinguishes the EGN service from competitors?
- What kind of value does the EGN service generate for its customers?
 - business-specific value
 - Increased efficiency

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?



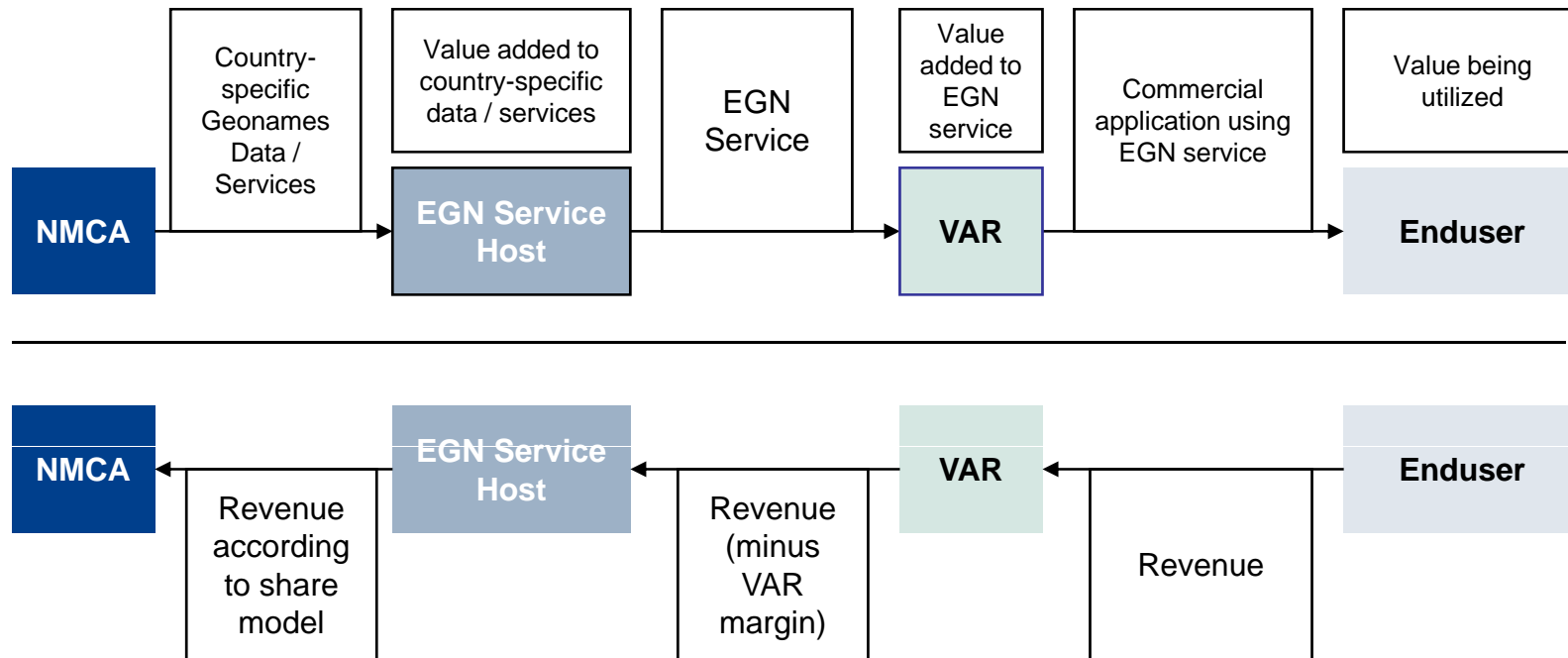
Elements of EGN BM: Customer relationships

- 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



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		
		EAI Tools	10,000		
Security infrastructure (?)	SW	DB Server	20,000		
		RDBMS licence	20,000		
Other	Facilities	Energy / data transmission	2,000		
		Communication cost (Voice/data)	10,000		
			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?



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

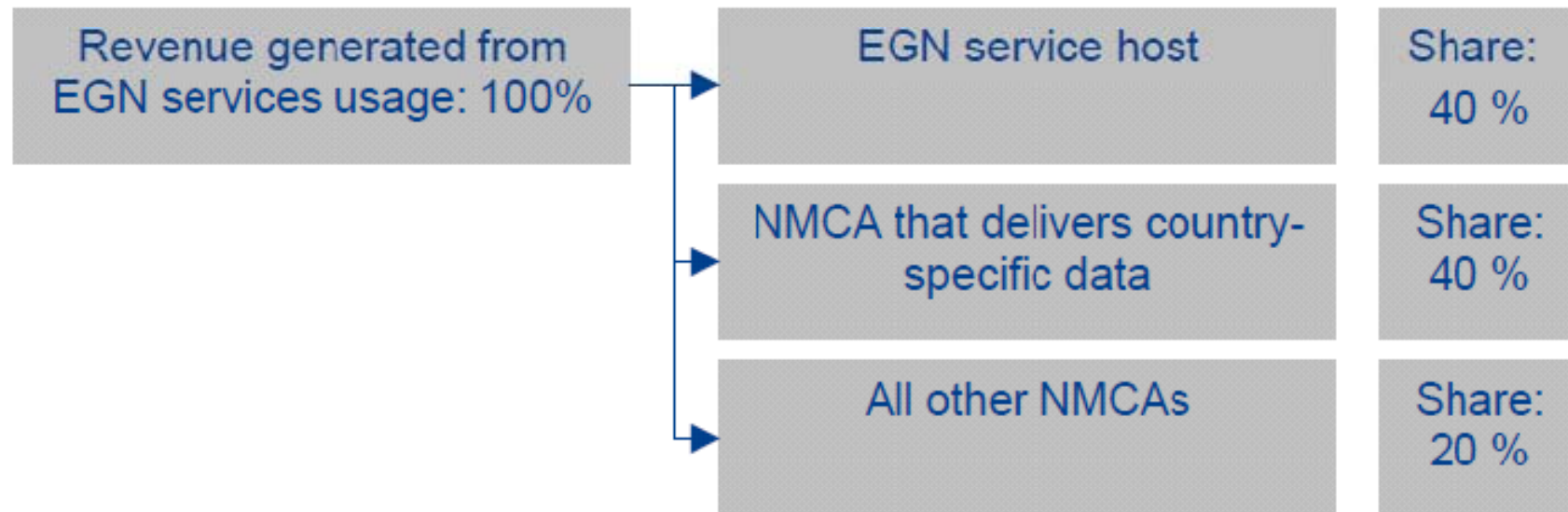
Target Group	Usage type	Number of users	Level of Service	Service-level
emergency services; health and safety	online	30	3	1 countr
emergency services; health and safety	offline	20	3	1 countr
cross border market analysis & asset management	online	640	3	Pan Europi
border crossing routing; transport and delivery service networks	online	1793	3	Pan Europi
border crossing routing; transport and delivery service networks	offline	1793	3	Pan Europi
hotel reservation services	online	20	1-3	Pan Europi
tourism	online	640	1-3	Pan Europi
private sector map and atlas producers	offline	279	3	Pan Europi
educational establishments, libraries	online	50	2-3	Pan Europi
mass media (broadcast, TV)	online	30	3	Pan Europi
mass media (broadcast, TV)	offline	30	3	Pan Europi
location based services (LBS)	online	601	3	1 countr
location based services (LBS)	offline	601	3	1 countr
others	online	500	2	1 countr
private	online	1.00000	1	1 countr

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

How could a revenue share look like?



Business model proposition

- Comments, questions on proposed business model
 - Freemium
 - Revenue share model

Next steps?

- Integrate input of workshop into the business model
- Business cases
 - Selection
 - Description