



Cherie Blair  
**FOUNDATION  
FOR WOMEN**

# Understanding Business Models

A core guide for what model best suits your business

Business models are the strategies and approaches that companies use to generate revenue and create value for their customers. There are various types of business models, each with its unique characteristics. Here's a summary of some popular business models, for you to get a basic understanding of which way you might want to develop your business:

## **E-commerce:**

This model involves selling products or services online. Companies like Amazon and eBay operate as online marketplaces, connecting buyers and sellers.

## **Subscription:**

Companies using this model charge customers a recurring fee in exchange for access to products or services. Examples include Netflix, Spotify, and Adobe Creative Cloud.

## **Freemium:**

This model offers a basic version of a product or service for free while charging for premium features or advanced functionality. Companies like Dropbox and LinkedIn use this approach.

## **Marketplace:**

Marketplaces bring buyers and sellers together, facilitating transactions between them. Examples include Uber, Airbnb, and Etsy, where the company earns a commission or fee for each transaction.

## **On-demand:**

This model provides immediate access to goods or services. Companies like Uber and TaskRabbit allow customers to request services on demand and pay for them accordingly.

### **Razor and Blade:**

Also known as the "razor and blades" model, it involves selling a primary product at a low or no profit margin but generating recurring revenue from complementary products or services. Printer manufacturers often adopt this approach by selling printers inexpensively and profiting from high-margin ink cartridges.

### **Advertising:**

In this model, companies offer free or low-cost products or services to users and generate revenue through advertising. Google and Facebook are prime examples, offering free access to their platforms while generating revenue through targeted advertising.

### **Franchise:**


This model involves granting individuals or entities the right to operate a business under an established brand and business system. Franchisees pay upfront fees and ongoing royalties to the franchisor. McDonald's and Subway are well-known franchise-based companies.

### **Direct Sales:**

This model involves selling products or services directly to customers without intermediaries. Companies like Avon and Tupperware rely on independent sales representatives who earn commissions based on their sales.

### **Platform:**

Platforms provide a technology infrastructure or ecosystem that enables third-party developers or businesses to create and offer their products or services. Examples include Apple's App Store and Google's Play Store.



These are just a few examples of business models, and many companies combine elements from multiple models to suit their specific needs. The choice of business model depends on factors such as the industry, target market, competitive landscape, and value proposition of the company.

Now that you have a basic understanding of some of the most popular business models, it's important to remember that depending on the above factors, some strategies might not be as effective for your business as others. Because of this, make sure that you're doing your own research into what business model and strategy might be most effective for your business. You can do this by looking into other businesses that are offering a similar product or service to you, or collecting information from potential clients on what would suit them best.

If you're looking for some more information or guidance you can always refer to the other resources in our E-Library or reach out to a member of our team.

