



STRATEGY

TOP 10 DISRUPTIVE BUSINESS MODELS

Ben Obear - 12 MARCH 2017

Companies whether large or small set targets for growth and their aim is to make positive, profitable growth. Companies will experience pressure from the demand made by the equity markets to grow rapidly. Disruptive business models will place their main focus on creating, disintermediation, refining or re-engineering a product or service. Companies that incorporate the disruptive business models have distinctive competitive value. They make use of the models to crush all their competitors and remain at the top in the industry. There are various models that a business can consider, but below is a list of the top ten.

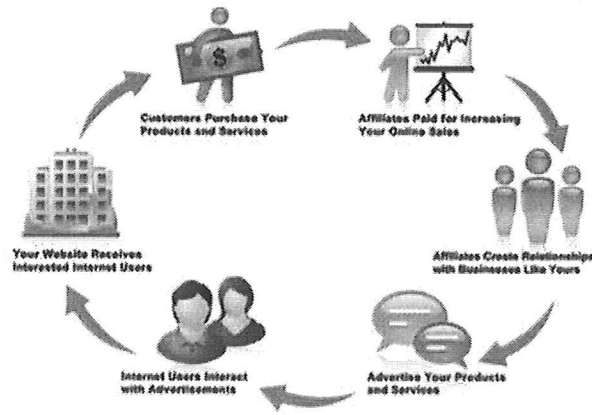
1. The On Demand Model

THE ON-DEMAND BUSINESS FRAMEWORK



This model will disrupt by monetizing time. They will sell instant access to the businesses product or services, but at a premium. They offer new value to customers making access to the services simpler and more convenient. This flexibility creates a great advantage that the organization can take advantage of. By making use of digital technologies the business is in a position to offer new services and products to their customers. An example of a company that made use of this business model is Uber that has created disruption in the transportation sector.

2. The Pyramid model



In this business model the business will recruit a large number of resellers or affiliates. This drastically scales up the businesses sales force. They form what seems as a community. They therefore enjoy the benefits that come with leveraging product communities. The affiliates or the sellers are then paid on a commission basis. That is, they are paid a fixed percentage of the amount they have sold. Amazon has successfully implemented this model. They have a network of sellers that are their key partners.

3. The experience model



This model is where a business offers unique, stylish, new and innovative products, but to those that can afford to pay for the products. The business has to keep improving their existing products and have new products in the market to keep it leading in the market and no competitors can match the products they offer to their customers. This makes it hard for their customers to move to their competitors after using their products. Apple has managed to implement this business model and it has propelled the company to top in the industry. Offering products as an experience has made them come up with unique products.

4. The hypermarket model



There is no better way to disrupt than to offer a product or a service at a price lower than the cost price. Bigger companies with a huge chunk of the market share will use their economies of scale to crush all their competitors. When they are offering services below cost price competitors will drop out since they cannot match the price. If they try to match the price set they will be operating on losses which will eventually drive them out of the market. Amazon has implemented this business model and it has greatly contributed to the success of the company.

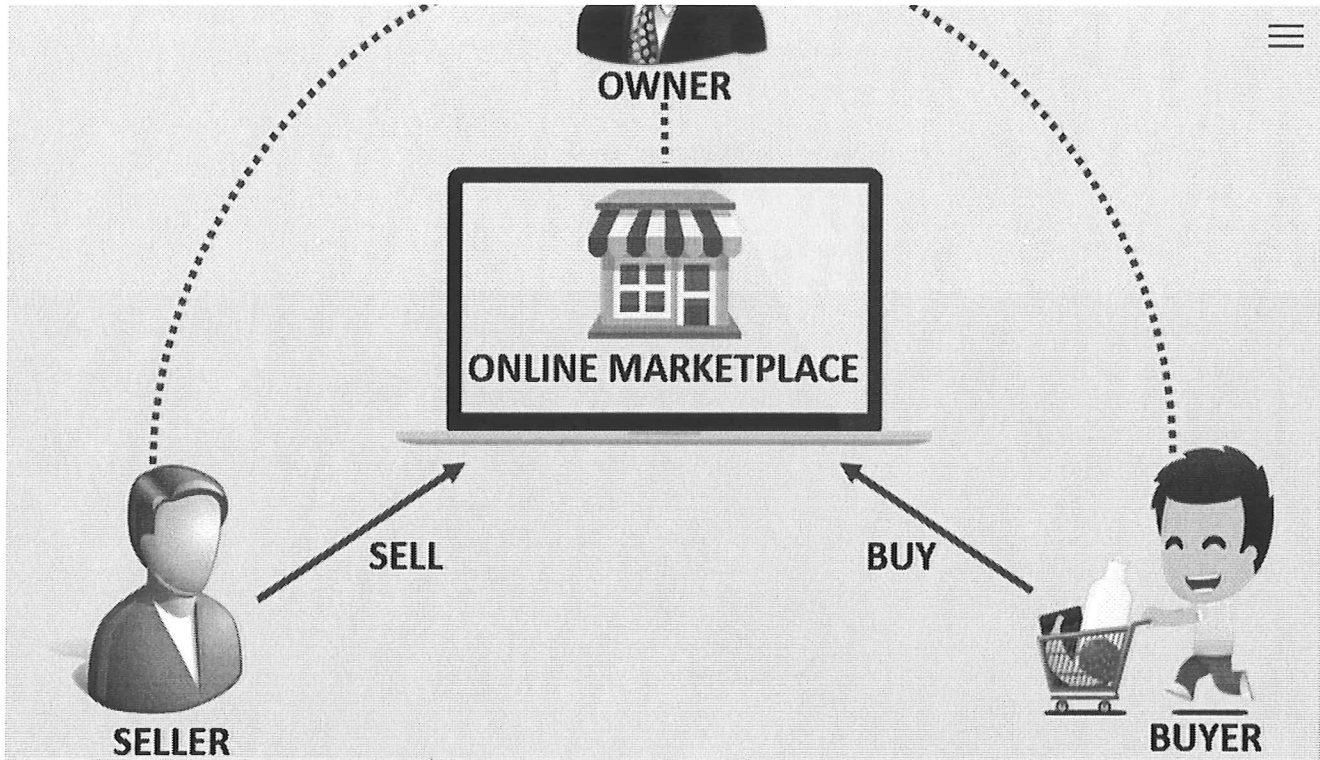
5. The Access over Ownership model

This is a business model that is based on sale of performance, usage or experience. It is gaining popularity and it benefits both the businesses and the consumers. Your competitors offer customers the ability to access expensive products like cars without having to buy them. It works by giving consumers access to goods and they pay for the goods as and when required. This gives the customer access to goods and services that they would have otherwise not been in a position to afford. The businesses still retain the ownership of the products and items that are being shared. The unifying power of the internet is fundamental in the working of this model. Zipcar is one of the businesses that implemented the model. It is a membership based car sharing company with a fleet of cars. Members pay an annual membership fee and they can reserve the car by the hour or day.

6. The marketplace model

EARN COMMISSION



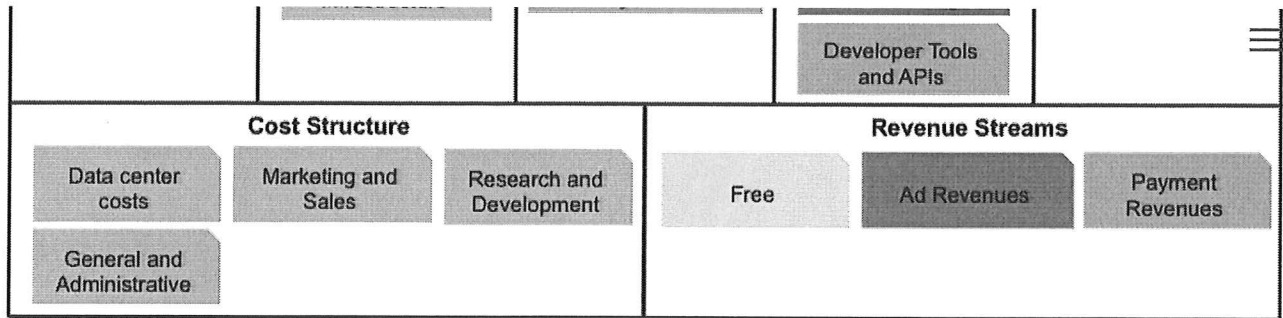


A business implementing this model will provide a marketplace that is digital where both the buyers and the sellers of a given item can transact. This has offered flexibility and convenience. In return for any transaction the buyer and seller are involved in the business gets a fee or a commission. The commission is calculated on a percentage basis of the price charged by the buyer. App store works under this business model. An application developer will develop an application which he will post on the app store with a price. Customers will buy the app and pay the price. The developer will get the money, but it will be less the amount paid to the store for having hosted the application for sell.

7. The free model

Facebook – World's leading Social Networking Site (SNS)

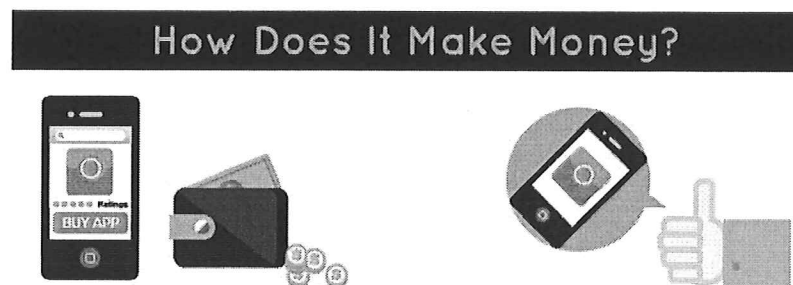
Key Partners	Key Activities	Value Propositions	Relationships	Customer Segments
Content Partners (TV Shows, Movies, Music, News Articles)	Platform Development	Connect with your friends, Discover & Learn, Express yourself	Same-side Network Effects	Internet Users
	Data Center Operations Mgmt		Cross-side Network Effects	
	Key Resources	Reach, Relevance, Social Context, Engagement	Channels	Advertisers and Marketers
	Facebook Platform	Personalized and Social Experiences, Social Distribution, Payments	Website, Mobile Apps	Developers
	Technology Infrastructure		Facebook Ads, Facebook Pages	



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This is a business model where the core product is given away for free to a large group or users. Then premium products are sold to a smaller fraction of users who want premium features. The trick to excel in using this business model is to make sure that the product or service you are giving away is of high value to the customer. If this is the case they will tell others about the service or product. This creates a large user base. This business model has been the backbone of the success of Facebook. The users are able to network for free but advertisers have to pay to advertise on the platform.

8. The Freemium Model



If users want premium or full versions with advanced functionality and added value, they pay a fee to upgrade.

This business model will disrupt by providing digital sampling. The users will pay for the basic service with their data and not money. The business will then charge them a fee to upgrade to a fuller offer. For the users to access other features or an upgraded version they will have to pay a set fee to the business. This model will only work for products where the marginal cost of the extra units and for distribution are lower than the sale of personal data. Spotify has successfully implemented this business model.

9. The subscription model

In this business model, a business takes a service or a product that consumers could have easily in the past had access to it easily and locks it in. So the only way for the consumer to get access to the service is by paying some amount for subscription. Some of the products are on a monthly basis and this makes recurring and sustainable income for the business on a monthly basis. The model

was pioneered by newspapers and magazines but is now being used by other businesses. Companies like Netflix use this business model.



10. The ecosystem model

By implementing this model, the business will offer different products but they are integrated and the consumers get used to using one facet. This is a lock system where the business will limit customers' choice and will therefore eliminate any completion. Apple uses this business model where it drives its customers into its ecosystem and keep them there. This has been a huge contributor to the success of Apple.

The above is a list of the top ten disruptive models used by businesses and examples of companies that use the models. The models have revolutionized the markets and businesses implementing these models are doing great in terms of profits.

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Ben Obear

Ben leads business development and marketing at CognitiveClouds and he helps startups and established companies define, design and develop disruptive software products.

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