Revenue model analysis in the credit decision services market

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Master of Science Thesis
Stockholm, Sweden 2016
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Abstract
One of the most fundamental aspects of a business is revenue generation. The revenue model describes how revenues are collected by a firm through selling its products and services. As revenue generation is of great importance to a business, it is essential for companies to analyze their revenue model to establish whether their current model for revenue appropriation is optimal.

After conducting pre-interviews at Bisnode AB, the commissioner of this study, it became evident that Bisnode has a need to analyze their current revenue model for its credit decision services in a structured manner to ensure its competitiveness and profitability. Thus, this thesis will study revenue model analysis for firms active in the market for credit decision services.

The research was conducted through a qualitative case study at Bisnode, based on semi-structured interviews, observations and archival information. By identifying which aspects to take into consideration when analyzing a revenue model, and by grounding the findings into the existing literature, a complete framework for revenue model analysis was developed. The framework facilitates revenue model analysis and consists of five different dimensions: financial, customers, strategy, competition, and macro environment. Further, by linking the case study findings to the existing body of literature, a work process for revenue model analysis was proposed. The outcome of this study is a framework for revenue model analysis to be used by companies offering credit decision services.

The findings of the research have both theoretical, managerial and sustainability implications. From a theoretical standpoint, a framework for revenue model analysis that integrates strategic management literature and studies on value proposition has been proposed. Furthermore, as earlier research has been mainly focused on the business model as a whole, this report studies the revenue model as an independent research topic and lays the foundation for further research in the domain. From a managerial perspective, the outcome of the research enables managers of firms active in the credit decision services market to comprehensively analyze revenue models in a structured fashion. Finally, the revenue model analysis framework assesses a revenue model’s competitiveness and profitability, which contributes to the economical sustainability of a firm.

Keywords: Revenue model, revenue model analysis, strategic management, customer value proposition, credit decision services.
Sammanfattning

Att erhålla intäkter är en av de mest grundläggande aspekterna för ett företag. En intäktsmodell beskriver hur ett företag genererar intäkter genom att sälja dess produkter och tjänster. Att skapa intäkter är av största vikt för ett företag, vilket innebär att företag bör analysera sin intäktsmodell för att avgöra om den nuvarande metoden för intäktsgenerering är optimal.

Efter att ha utfört intervjuer på Bisnode AB, uppdragsgivare till denna studie, blev det tydligt att Bisnode har ett behov av att på ett strukturerat sätt analysera sin nuvarande intäktsmodell för sina kredittjänster för att garantera lönsamhet och konkurrenskraftighet. Således studerar denna uppsats hur företag inom kredittjänstbeslutsbranschen kan analysera sin intäktsmodell.


Nyckelord: Intäktsmodell, intäktsmodellsanalys, strategisk ledning, kundvärdeerbjudande, kredittjänster.
# Contents

1 Introduction 6
   1.1 Problem formulation ........................................ 7
   1.2 Purpose and aim .............................................. 7
   1.3 Research question ............................................ 7
   1.4 Expected theoretical contribution .......................... 7
   1.5 Delimitations .................................................. 8

2 Method 9
   2.1 Choice of methodological approach .......................... 9
   2.2 Literature review .............................................. 10
   2.3 Data collection ................................................ 10
      2.3.1 Interviews .................................................. 11
      2.3.2 Observations .............................................. 12
      2.3.3 Archival information .................................... 12
   2.4 Data analysis .................................................. 13
      2.4.1 Conduct the case study ................................... 13
      2.4.2 Identify key themes ..................................... 13
      2.4.3 Identify key dimensions .................................. 13
      2.4.4 Development of revenue model analysis work process .. 13
   2.5 Validity and reliability ...................................... 14
   2.6 Research ethics ................................................. 15

3 Literature review 16
   3.1 Revenue model as a subordinate component of the business model ........ 16
      3.1.1 Business model definition ................................ 16
      3.1.2 Revenue model .......................................... 17
   3.2 Financial measurements ....................................... 18
   3.3 Customer value ................................................ 19
      3.3.1 Signals of value and use criterion ...................... 19
      3.3.2 Value model .............................................. 19
      3.3.3 Value creation in e-businesses ......................... 20
   3.4 Strategy ........................................................ 21
      3.4.1 Generic competitive strategies ......................... 21
      3.4.2 Strategy execution through balanced scorecards ........ 23
   3.5 Competitor identification .................................... 24
3.5.1 The resource-based view on competitiveness .......................... 24
3.5.2 Scanning the competitive landscape ................................. 25
3.6 Macro environmental analysis ........................................... 26
3.6.1 PESTLE-analysis ...................................................... 26
3.7 Research gap .......................................................... 27

4 Bisnode ................................................................. 29
4.1 Bisnode ....................................................................... 29
4.2 Credit decision services .................................................. 30
4.2.1 Credit reports .......................................................... 30
4.2.2 Credit monitoring ....................................................... 30
4.2.3 Decision support ........................................................ 30
4.3 Revenue models .......................................................... 31

5 Findings ................................................................. 32
5.1 Analysis requirements ..................................................... 32
5.2 Financial measurements .................................................. 33
5.2.1 Maximize profit .......................................................... 33
5.2.2 Scalability to different demands ...................................... 35
5.2.3 Cash flow ................................................................. 35
5.2.4 Minimize churn .......................................................... 36
5.3 Customers ................................................................. 37
5.3.1 Customer preferences .................................................. 37
5.3.2 Easy to communicate ................................................... 38
5.4 Strategy ................................................................. 39
5.4.1 Alignment with strategy ................................................. 39
5.4.2 Strategic fit ............................................................... 39
5.5 Competition ............................................................. 40
5.6 Macro environment ........................................................ 41

6 An integrative framework for revenue model analysis ................... 43
6.1 Revenue model assessment framework .................................. 43
6.2 Data collection ........................................................... 45
6.2.1 Identifying revenue models .......................................... 45
6.2.2 Financial data .......................................................... 45
6.2.3 Customer preference .................................................. 46
6.2.4 Strategy identification ................................................. 46
6.2.5 Competitor intelligence ................................................ 46
6.2.6 Macro environment analysis ........................................ 47
6.2.7 Testing of potential new revenue models ......................... 48
6.3 Revenue model analysis .................................................. 48
6.3.1 Revenue model ........................................................ 48
6.3.2 Financial ................................................................. 49
6.3.3 Customers ............................................................... 49
6.3.4 Strategy ................................................................. 50
6.3.5 Competition ............................................................ 50
6.3.6 Macro environment ........................................ 51
6.4 Final decision .................................................. 51
6.4.1 Make decision .............................................. 51
6.4.2 Design implementation plan ......................... 51
6.5 Framework implementation example: Subscription ........ 52

7 Discussion ................................................................ 55
7.1 Fulfilling of the research purpose ......................... 55
7.2 Implications ...................................................... 56
7.2.1 Theoretical implications ................................. 56
7.2.2 Managerial implications ................................. 57
7.2.3 Sustainability implications .............................. 57
7.3 Limitations and future research ......................... 58

A Interview questions ............................................. 59
List of Figures

3.1 Porter's generic strategies .................................................. 22
3.2 Framework for competitive landscape scanning ......................... 25
5.1 Identified themes ............................................................. 34
6.1 Revenue model analysis process .......................................... 44
6.2 Competitor identification in the credit decision services market .... 47
List of Tables

2.1 Collected data .................................................. 11
2.2 Interview overview ............................................ 12
3.1 Examples of revenue models .............................. 18
3.2 PESTLE analysis ................................................ 26
4.1 Revenue models currently in use at Bisnode ............ 31
6.1 Framework for revenue model analysis .................. 53
6.2 Example of framework implementation ................. 54
1 | Introduction

The revenue model states the payment setup and the market offering of a company and is therefore an important part of the business model. The payment setup considers the frequency of payments i.e. how often the customer is charged and the timing of payments, that is if the customer is charged before or after the service is provided. The market offering describes what products or services that are included in an offer. Whereas the revenue model remains fairly unexplored, the business model has been subject to substantial research (Dubossen-Torbay, Osterwalder, & Pigneur, 2002; Johnson, Christensen, & Kagermann, 2008; Morris, Schindehutte, & Allen, 2005; Shafer, Smith, & Linder, 2005; Wirtz, Pistoia, Ullrich, & Göttel, 2016; Zott & Amit, 2008).

Further, new trends in revenue models are emerging, consequently companies are evaluating their current revenue models to identify opportunities to increase their revenues. Currently, some companies are shifting towards implementing a revenue model that is tightly aligned with the proposed customer value in order for the model to help enhancing the offered value. For instance, some companies offering professional services are charging their clients a percentage of the generated value (Financial Times, 2014). Moreover, businesses are emerging where the revenue model and business model are explained in the name of the company, with examples like Dollar Shave Club (Dollar Shave Club, 2016) and car2go (car2go, 2016), a service where the customer pay a couple of dollars for razor blades and a pay-as-you-go service for cars that can be rented on-the-go respectively. There is therefore an opportunity for incumbent companies to identify the most profitable and competitive revenue model for their industry.

The commissioner of this master thesis, Bisnode AB (hereafter Bisnode), provides business, credit and marketing information. The global group Bisnode operates in 18 countries throughout Europe and has 2 400 employees. The company gathers great amounts of data from several different sources, which it later refines and processes in order to develop marketing and credit insights to their customers. Their credit offering consists of credit reports, credit decision support and credit monitoring and is helping customers making credit decisions, analyzing the financial strength of companies and identifying new business opportunities. For example, Bisnode can aid mobile network operators deciding which customers should be approved for mobile subscriptions depending on their credit rating, to help minimizing the operator’s risk and thus saving money. The credit decision services are managed from the Risk & Credit product department and are sold to other companies, hence Bisnode is situated in the business-to-business (B2B) market. The products are sold online and through sellers.

Bisnode has emerged as a result of years of consolidation and has therefore a variety of different revenue models. However, the different revenue models all require
IT-systems, processes and marketing material and it is therefore relevant for Bisnode to identify an optimal revenue model as it renders an opportunity to reduce costs and/or increase revenues.

1.1 Problem formulation

As Bisnode has a broad portfolio of credit services that are offered in a variety of combinations, with different ways of charging the customers, the existing revenue model execution is complex and not necessarily optimal. The complexity of the business increases costs as several revenue models have to be maintained and it causes insecurity with customers as a result of the various choices that are present. A need to assess the different revenue models in order to determine which model is optimal from a profitable and competitive standpoint has been identified. Also, the research concerning revenue models is limited and existing knowledge regarding revenue model analysis work processes and frameworks is narrow, thus motivating the research.

1.2 Purpose and aim

The purpose of this thesis is to expand existing knowledge on revenue model analysis. The aim of the thesis is to present how companies offering credit decision services can analyze revenue models to ensure its competitiveness and profitability.

1.3 Research question

The purpose of our research has motivated the main research question of this thesis. The main research question is divided into two sub-questions in order to cover the research topic.

- **Main research question**: How can a firm offering credit decision services analyze its revenue model?
  
  - *Research question 1*: What aspects should be taken into consideration when analyzing a revenue model for a firm that offers credit decision services?
  
  - *Research question 2*: How should a revenue model analysis work process be designed for a firm that offers credit decision services?

1.4 Expected theoretical contribution

Previous research has included business model definition and origin (DaSilva & Trkman, 2014; Morris et al., 2005; Osterwalder, Pigneur, & Tucci, 2005; Shafer et al., 2005; Wirtz et al., 2016), business model development and innovation (Chesbrough, 2010; Girotra & Netessine, 2014; Johnson et al., 2008) and revenue model assessment in various industries like Software-as-a-Service (Ojala, 2013), software vendors (Lehmann & Buxmann, 2009) and digital libraries (Markscheffel & Fischer, 2007). Further, a lot of
research has been conducted in the area of value proposition (Amit & Zott, 2001; Anderson & Narus, 1998; Johnson et al., 2008; Porter, 1985). Moreover, much generic strategic management research has been conducted and serves as a base for strategic management in fields as competitor identification (Peteraf & Bergen, 2003), generic strategies (Porter, 1980), strategy execution (Jensen, 2001; Kaplan & Norton, 1996) and macro environment analysis (Bensoussan & Fleisher, 2012). By considering the revenue model as an entity and integrating research streams in strategic management, value proposition, business model and revenue model literature, this study will complement the revenue model research by bridging the gap of revenue model analysis in the credit decision services industry.

1.5 Delimitations

As this thesis focuses on revenue model analysis for credit decision services, we will only investigate analysis frameworks, business model research and revenue model research applicable in that area. The thesis is conducted in cooperation with Bisnode, therefore the proposed revenue model analysis framework will be in reference to Bisnode’s position and offering in Sweden. We will only have the possibility to conduct one case study, which will take place at Bisnode Risk & Credit, thus be limited to Bisnode’s credit decision services.

The research will not take pricing into consideration. However, as the revenue model and the pricing strategy are closely interrelated, the pricing factor is relevant to be analyzed in connection to revenue model analysis. Although, in this thesis, pricing will be considered a separate area of research. Furthermore, the different terms and conditions connected to a revenue model, so called payment agreements, will also affect the success rate of the market adoption of certain revenue models in different markets as it can enhance the perceived value of an offering. Even so, that factor will not be taken into consideration in this research.
2 | Method

In order for the research questions to be investigated, a case study of the revenue model analysis process at Bisnode’s Risk & Credit products and a literature review were conducted. The case study consisted of data collection in the form of (1) interviews; (2) observation; and (3) collection of archival information. The primary data was collected from semi-structured interviews and meeting observations. Interviews were held with managers from the product department, business development department and sales department. The observations were made during internal meetings at the product department and business development department. Further, archival information such as product descriptions and sales data, were gathered to collect secondary data. Furthermore, a literature review was conducted in order to investigate previous research in the field. After that, data analysis was pursued through both stand-alone analysis of the case and through analysis in relation to the previous research within the field.

2.1 Choice of methodological approach

The study investigated how and why revenue model analysis is conducted. In the area of research, there is currently a deficient body of knowledge that the study aims to strengthen. The study compared empirical evidence to existing theory in order to understand and explain the phenomenon, which is typical of analytical or explanatory research (Collis & Hussey, 2014). The exploratory and analytical purposes have therefore motivated the research design.

The empirical evidence that has been collected is of qualitative nature and the research design has taken a qualitative approach. Quantitative research would have helped developing statistical findings on the important factors to take into consideration when analyzing a revenue model, although we deemed the qualitative empirical evidence sufficient to answer our research questions.

General conclusions were drawn from the collected empirical evidence, that is, the study has taken an inductive approach. As there is a gap of knowledge within in the area of research, an inductive approach was appropriate as it has generated new knowledge. A deductive approach might have been a source of interesting findings and would have strengthened the proposed analysis work process. Withal, it was not conducted due to time limitations.

A case study has been conducted in order to answer the research questions. A case

\[\text{1}^\text{The business development department is a support function to the product department and works with strategy development and strategy implementation.}\]
study allows exploration of a single phenomenon in a natural setting and in-depth knowledge can be generated (Collis & Hussey, 2014). Thus helped generating knowledge of revenue model analysis in the credit decision services industry. A case study generates a lot of data, which allows identification of new dimensions and it has therefore been deemed a suitable method trying to describe the revenue model analysis process (Blomkvist & Hallin, 2015). We subscribe to Morris et al. (2005) notion that the different aspects of a business model must coincide with each other and as a revenue model is a part of the business model it has motivated the case study taking place at the product, business development and sales departments in order to comprise all different perspectives.

In order to clearly word the purpose and aim of the study, an initial understanding of the problem and industry was necessary, therefore pre-interviews were held. These interviews aimed at gaining an understanding of the area to be studied and to be able to articulate a clearer problem formulation. The interviews were held with employees at Bisnode and were unstructured and open ended in order for the interviewees to be able to talk freely about their impressions of the studied area.

An iterative approach has been pursued during the research. Before deciding on a scope, several different areas of research were discussed, some of these ended up outside of the scope. The findings from the literature review was incorporated into the interview questions continuously in order for the study to be open for changes. Furthermore, as the findings from the case study were accumulated, the literature review was reiterated. The writing of the thesis has been conducted throughout the literature review, collection of data and analysis of findings.

2.2 Literature review

To gather a complete understanding of what previously has been researched in the field, a systematic literature review was conducted. The literature review served as a basis for the understanding of current frameworks in the field and were later on drawn upon when the data analysis was conducted. Also, the literature review was used as inspiration for research design. The research questions served as starting points for the literature review and keywords as revenue model, business model and value capture were searched.

Secondary data was collected from books, articles and conference proceedings. The data was searched for in databases such as KTHB Primo, Google scholar, JSTOR, ScienceDirect, Springer Link and Wiley Online Library.

First, the searches included search terms as “business model” AND “value capture” to identify articles that have been frequently cited and published in renowned research publications. As these were identified, the literature search was limited to more specified search terms and also references from the initially identified literature. As a greater understanding of the current theory grew, more specified search terms could be used.

2.3 Data collection

Data collection was made qualitatively through a case study of revenue model analysis at Bisnode Risk & Credit. The case study consisted of interviews, observations and
collection of archival information. An overview of the collected data can be found in table 2.1. The case study was conducted in relation to a literature review as it strengthens the evidence of the case study due to the triangulation of information from collected data (Eisenhardt, 1989).

### 2.3.1 Interviews

To develop a deep understanding of the revenue models and of the revenue model analysis for a company that offers credit decision services, interviews were held at the case company. Interviews allow collection of primary, qualitative data from important within-company stakeholders (Blomkvist & Hallin, 2015). The interviews were held throughout the thesis duration and worked as a complement to the literature study. In table 2.2 all of the interviews are shown. There were two rounds of interviews, pre-interviews and topic specific interviews.

The first round consisted of pre-interviews and aimed at gaining a deeper understanding of scope and problem formulation. The interviews were unstructured and questions were open-ended in order for the interviewees to be able to freely discuss their concerns as open interviews opens up for new ideas regarding dimensions that are affecting a phenomenon (Blomkvist & Hallin, 2015). The pre-interviews helped refine the problem.

The topic specific interviews were semi-structured with open ended questions to explore the interviewees’ experiences and opinions (Collis & Hussey, 2014). The questions for the semi-structured interviews were developed beforehand but still allowed the interviewees to discuss topics on their own initiative. That is, the method allowed in-depth exploration of a topic.

All of the interviews were face-to-face. The advantages of face-to-face interviews are that comprehensive data can be gathered and it facilitates the possibility of asking complex or sensitive questions (Collis & Hussey, 2014). Therefore, we were able to get a deeper understanding regarding the revenue model analysis process. Moreover, all of the interviews were conducted with two interviewers which ensured a full exploration of the different topics and more extensive notes could be taken. The interviews were recorded and later on transcribed in order to assure that we had understood the responses of the interviewees correctly.

For all the interviews of the study, identification of suitable interview objects was a vital part of ensuring proper validity. To make sure suitable interview objects were identified, so called qualification questions were posed i.e. questions where the back-

<table>
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<th>Department</th>
<th>Interviews</th>
<th>Observations</th>
<th>Archival information</th>
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<tr>
<td></td>
<td>Pre-</td>
<td>Revenue</td>
<td>Number of meetings</td>
</tr>
<tr>
<td></td>
<td>interviews</td>
<td>model</td>
<td>Meeting topics</td>
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<td>Product</td>
<td>2</td>
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<td>2</td>
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<td>Sales</td>
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<td>Sales</td>
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Table 2.1: Collected data
Table 2.2: Interview overview

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<th>Length (min)</th>
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<td>60</td>
</tr>
<tr>
<td>Business Development Manager</td>
<td>Pre-interview</td>
<td>60</td>
</tr>
<tr>
<td>Product Manager</td>
<td>Pre-interview</td>
<td>60</td>
</tr>
<tr>
<td>Product Manager</td>
<td>Pre-interview</td>
<td>60</td>
</tr>
<tr>
<td>Transformation Program Lead</td>
<td>Strategic perspective</td>
<td>60</td>
</tr>
<tr>
<td>Business Development Director</td>
<td>Strategic perspective</td>
<td>60</td>
</tr>
<tr>
<td>Sales Director Large Accounts</td>
<td>Sales perspective</td>
<td>45</td>
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<td>Customer Relations Coordinator</td>
<td>Sales perspective</td>
<td>30</td>
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<tr>
<td>Product Manager</td>
<td>Product perspective</td>
<td>75</td>
</tr>
<tr>
<td>Acting Director Risk &amp; Credit</td>
<td>Product perspective</td>
<td>60</td>
</tr>
<tr>
<td>Sales Manager Major Accounts</td>
<td>Sales perspective</td>
<td>60</td>
</tr>
<tr>
<td>Product Manager</td>
<td>Product perspective</td>
<td>60</td>
</tr>
<tr>
<td>Major Account Manager</td>
<td>Sales perspective</td>
<td>70</td>
</tr>
<tr>
<td>Sales Manager Small Businesses</td>
<td>Sales perspective</td>
<td>60</td>
</tr>
<tr>
<td>Product Marketing Manager</td>
<td>Product perspective</td>
<td>90</td>
</tr>
<tr>
<td>Product Manager</td>
<td>Product perspective</td>
<td>60</td>
</tr>
</tbody>
</table>

ground of the interview object is covered (Collis & Hussey, 2014). To ensure that several different perspectives were included in the case study, interviewees from three different departments were chosen. These departments are the product management, the business development and the sales departments. Further, so called probing questions, questions that ask the interviewee to clarify or give examples (Blomkvist & Hallin, 2015), were posed to ensure that the answers given by the interviewees were correctly understood. The probing questions ensured that the number of misunderstandings remained low.

2.3.2 Observations

For the duration of the case study, there were observations of relevant meetings, regarding product management, revenue models and sales decisions, with product managers and sales managers. Observations are suitable when wanting to explore a topic and will give insights in day-to-day work and day-to-day management (Blomkvist & Hallin, 2015). The observations in this study aimed to give insights in the day-to-day work and dynamics of the revenue model decisions. During these observations, notes were taken on covered topics relevant to the study.

2.3.3 Archival information

In order to get comprehensive information regarding products, payment setups and competitors, information was retrieved through collection of internal archival information. This included competitive intelligence data, product descriptions, pricing and sales data. By collecting archival information, knowledge such as information about Bisnode’s current revenue model and existing offering could retrieved.
2.4 Data analysis

An iterative, analytical process based on the work of Gioia, Corley, and Hamilton (2013) and Smith (2014) was used, in which data was systematically analyzed to reach theoretical interpretations. The process included four stages: (1) conduct the case study, (2) identify key themes, (3) identify key dimensions and (4) development of revenue model analysis work process.

2.4.1 Conduct the case study

The first step of the process was to perform the case study. Data was collected from various sources to create a large quantity of data regarding the case company, its context and revenue model analysis. The fact that all interviews were recorded, transcribed and that notes were taken created ensured that the data could be properly analyzed in the subsequent stages. Moreover, by combining case writing and interviewing, insights and results from the study could be used to improve the continuous data collection (Yin, 1994).

2.4.2 Identify key themes

As the case study progressed, content analysis was used to identify key themes from the interviews (Collis & Hussey, 2014). The content analysis was pursued by comparing similarities and differences from the interviews in order to identify themes (Gioia et al., 2013). As we performed parts of the literature review before the content analysis, there was a risk that we would choose categories that we had pre-determined as interesting when identifying the themes. By being aware of this fact and staying open-minded, we tried to avoid being biased. Also, as we were two researchers, we could compare our observations and interpretations of the data. Multiple researchers with converging perceptions enhances confidence of the findings (Eisenhardt, 1989). To verify the identified themes, triangulation was conducted in the form of comparing within-case interview results. Comparing interview results from the three different organizational perspectives was especially important in order to verify the identified themes.

2.4.3 Identify key dimensions

After the themes were identified, these needed to be incorporated into the existing body of literature in order to develop a theoretically grounded framework (Gioia et al., 2013). Dimensions were identified by sorting the key themes and grounding them in the extant literature (Smith, 2014). Five key dimensions were identified: (1) financial, (2) customers, (3) strategy, (4) competition, and (5) macro environment.

2.4.4 Development of revenue model analysis work process

The identified themes and dimensions were used to form a framework for revenue model analysis. The framework consists of five dimensions in which the identified themes were categorized. An integrative work process for revenue model analysis was developed by combining case interview results with existing theoretical concepts and frameworks,
such as theory of competitor identification and customer value proposition. The result of the data analysis is an integrative work process for revenue model analysis.

2.5 Validity and reliability

Inspired by Gibbert, Ruigrok, and Wicki (2008), we use four criteria to review the robustness of the case study: reliability, external validity, construct validity and internal validity (Campbell, 1975; Campbell & Stanley, 1963).

Reliability describes the accuracy and precision of the measurements (Blomkvist & Hallin, 2015). If there is a large difference in the results of a repeat study, the research has low reliability (Collis & Hussey, 2014). Gibbert et al. (2008) suggest measures to strengthen the reliability in a case study: among them is a thorough documentation of the procedures. Examples of interview questions were appended to the report to ensure increased reliability. By studying the interview results objectively, and discussing our interpretations between each other, we achieved a higher reliability. Eisenhardt (1989) advises that collected data should come from several different sources in order to allow triangulation and strengthen reliability, which has been made by collecting evidence from interviews, observations and archives. This has strengthened reliability and helped gain an in-depth knowledge of the research area.

According to Gibbert et al. (2008), external validity, or generalizability is how well the findings can be represented in other settings. According to Eisenhardt (1989), multiple case studies with cross-case analysis yield a good basis for external validity. Yin (1994) argue that generalizability also can be obtained by multiple case studies within the same organization, a so-called nested-approach. Since our research is based on one single case study, the generalizability is considered low and would have been higher if we had performed multiple case studies. However, since our research includes different perspectives from several business units, it has similarities with a nested-approach, which increases the generalizability. A clear context of the case study further strengthens the external validity (Cook & Campbell, 1979), which is why the context of Bisnode has been described.

Construct validity aims to investigate the quality of the conceptualization of relevant concepts (Gibbert et al., 2008) i.e. if the study has investigated what it had set out to investigate. By thoughtfully constructing and reviewing interview-questions beforehand, and carefully selecting literature, a high construct validity can be achieved. Moreover, the probing questions ensured that the number of misunderstandings remained low, thus guaranteeing a higher construct validity. Triangulation, i.e. the use of different data sources and data collection methods, also increase the construct validity of the case study (Yin, 1994).

Lastly, internal validity assesses how well the researchers are able to demonstrate a logical reasoning and plausible argumentation for their conclusions (Gibbert et al., 2008). This is judged by the rigidity of the demonstration of our work process and the reasoning behind our results. Further, as no earlier research of revenue model analysis was discovered, we could not compare our results with the existing literature to look for similarities or conflicts, which lowers the internal validity and the generalizability of the research (Eisenhardt, 1989). However, as we conducted a broad literature review, we found relevant theory in other contexts that we could link to our findings, such as
research of business model analysis and strategic management. By tying the findings to existing literature, the confidence and generalizability of the results were strengthened (Eisenhardt, 1989).

2.6 Research ethics

Prior to the commencement of the study, a nondisclosure agreement (NDA) between Bisnode and the researchers was signed. Some of the empirical evidence that was collected contained sensitive information such as strategic plans and go-to-market plans. It was agreed upon that no sensitive information that could potentially harm Bisnode or the employees in any way would be disclosed. All of the interviews were transcribed but not included in the report as a part of protecting Bisnode’s confidentiality.

The interviewees were all informed of the nature of the study and their partaking in it and had at all times the possibility to withdraw their participation. However, no interviewees chose to not be a part of the study after receiving the information.
3 | Literature review

Business models and business model analysis are well researched topics (Dubosson-Torbay et al., 2002; Johnson et al., 2008; Morris et al., 2005; Shafer et al., 2005; Wirtz et al., 2016; Zott & Amit, 2008). However, as there is an inconsistency in the definition of the business model, the sub-component revenue model has not been consistently researched. In this literature chapter, we will start by defining the concept of business model and the revenue model as a sub-component. Thereafter, in order to build the theoretic foundation that will serve as base for the analysis, the business model analysis literature will be complemented with value proposition and general strategic management research presented according to the dimensions identified in this study. Lastly, the identified research gap will be presented in relation to the literature review.

3.1 Revenue model as a subordinate component of the business model

This section will discuss the concept revenue model. As the revenue model is a sub-component of the business model, and since there are heterogeneous definitions of the business model and revenue model concepts, this chapter starts by introducing the business model. Thereafter, the revenue model concept is introduced followed by examples of different revenue models.

3.1.1 Business model definition

Business models have been analyzed from various perspectives across several disciplines, which has led to multiple definitions of the term ‘business model’ (Shafer et al., 2005; Wirtz et al., 2016). Terms such as business concept, revenue model, economic model and business model have been used interchangeably, which has led to inconsistent terminology (Morris et al., 2005). Today, there is still no fully accepted definition of the business model concept (Morris et al., 2005; Shafer et al., 2005; Wirtz et al., 2016).

Wirtz et al. (2016) have conducted an extensive literature review in order to present a synthesized business model framework consisting of strategic, customer & market, and value creation components.

- **Strategic components:** The strategic components consider the strategic positioning and the value proposition of a firm, the resource model in which material and immaterial resources of a firm are comprised, and the network model that consid-
ers networks and partnerships, as these have an impact on the value creation of a company (Wirtz et al., 2016).

- **Customer and market components:** The customer and market components consist of the customer model that portrays customer relationships, target groups and product and channel configurations, the market offering model which entails the value proposition i.e. the value a customer receives, competition and the entire market structure and finally the revenue model, that describes the revenue generation of the company (Wirtz et al., 2016).

- **Value creation components:** The value creation components are divided into three models. The manufacturing model that includes value creation activities, the procurement model that considers resource acquisition and finally the financial model in which financial planning, capital flow and costs structures are encompassed (Wirtz et al., 2016).

A criteria for a sustainable business model is that there must be an **internal fit**, which means that the model must be internally consistent and each component supportive of one another (Casadesus-Masanell & Ricart, 2011; Morris et al., 2005; Shafer et al., 2005). Each part of the business model affects and is affected by one another. For example, having a value proposition that focuses on delivering low to medium quality to the customers has implications on the other parts of the business model, such as having a quite broad target market and a strategic positioning based on cost-leadership (Morris et al., 2005). Since the revenue model is a component of the business model, and because of the fact that all components of the business model are interrelated and affect each other, we will in the following sections present theory that is relevant to the business model, and thereby indirectly relevant to the revenue model.

### 3.1.2 Revenue model

According to Wirtz et al. (2016) and Osterwalder et al. (2005), the revenue model is a subordinate model to the business model. The revenue model can be explained as a framework for generating revenues (Afuah, 2004). A firm’s revenue model can for example be flat-fee mobile subscription or advertising revenues collected from other businesses (Dubosson-Torbay et al., 2002).

We have chosen to subscribe to the definition of the revenue model used by the case company: a framework that describes the payment setup and the market offering. There are therefore two dimensions that will be examined in this thesis. The first dimension, the payment setup, considers the frequency of payments i.e. how often the customer is charged and the timing of payments, that is if the customer is charged before or after the service is provided. The second dimension, the market offering, describes what the customer is charged for and what is included in the offering, i.e. the product bundle.

To give an example, a revenue model for a mobile network operator could be a flat-fee subscription model where users pay a fixed fee each month and get unlimited amount of calls and data usage. The first dimension to consider is the payment setup; in this case the customer pays a fee each month. A different payment setup is that the customer makes yearly payments retroactively. The second dimension is the market offering. In this
Table 3.1: Examples of revenue models

<table>
<thead>
<tr>
<th>Revenue model</th>
<th>Description</th>
<th>Example</th>
<th>Example of payment setup</th>
<th>Example of market offering</th>
</tr>
</thead>
<tbody>
<tr>
<td>Flat-fee subscription</td>
<td>Flat fee on a periodic basis for unlimited service</td>
<td>Internet providers that charge customers a fixed fee every month</td>
<td>Monthly payments</td>
<td>Unlimited Internet access</td>
</tr>
<tr>
<td>Transactional</td>
<td>Users pay for the service they consume</td>
<td>Mobile network operators that charge customers for minutes spent calling</td>
<td>Monthly payments</td>
<td>Metered service based on number and duration of calls</td>
</tr>
<tr>
<td>Licensing</td>
<td>Businesses sell licenses to use service instead of selling the product itself</td>
<td>Software vendors that sell licenses to programs</td>
<td>Pay up-front</td>
<td>Unlimited access to software program for a limited amount of time</td>
</tr>
<tr>
<td>Freemium</td>
<td>Businesses that offer a service for free but charge a premium for more advanced or additional services</td>
<td>Computer games where basic version is free but users have to pay premium to access full version</td>
<td>Free, pay up-front for premium</td>
<td>Free access to basic version, pay extra for access to premium version</td>
</tr>
</tbody>
</table>

example, the customer gets full access to the service with unlimited calls and data usage. Another example of a revenue model that is applicable for mobile network operators is a transactional model where the user is charged based on their consumption each month, for example on how much they call. In the given example the product bundle includes both calling and data usage. Another revenue model could consist of another product offering, for example that call and data usage is sold separately. Examples of different revenue models can be seen in table 3.1.

Important to notice is that the actual price of the offer is not included in the presented definition. Hence, the revenue model explains how a business collects revenues from its customers and what value to offer, but does not include how the actual value is priced.

### 3.2 Financial measurements

Profitability is one of the important measurements when conducting business model assessment suggested by Afuah and Tucci (2000). Important profitability measures, according to Afuah and Tucci (2000), consists not only of profits but also cash-flow. Profitability can be analyzed through a profitability formula,

\[
\text{Profits} = \Pi = (P - V_c)Q - F_c,
\]

where \( P \) is the unit price per product, \( V_c \) is the variable cost per unit, \( Q \) is the quantity sold and \( F_c \) is fixed costs (Afuah & Tucci, 2000). When selling bundled products however, the profitability measurement can vary and can yield different results depending on chosen revenue and cost allocation method. Anderson, Fornell, and Lehmann (1994) argue that a profitable business implies that the customers’ needs are met thus establishing a relationship between customer satisfaction and economic returns.
3.3 Customer value

In order to stay competitive, it is important to understand what value that is provided to the customer as competitive advantage is generated from the value a company provides (Porter, 1980). A vital part of the revenue model is therefore the value proposition, i.e. the value or benefit the customer receives (Johnson et al., 2008). This section describes what value is, how the customer value preferences can be mapped and strategies for creating value in e-businesses, that is businesses that generate a proportion of their revenues from online sales (Amit & Zott, 2001).

3.3.1 Signals of value and use criterion

According to Porter (1985), a customer will evaluate the value of an offering based on signals of value; advertising, reputation, packaging, professionalism, appearance of supplier, employees and attractiveness of facilities. A customer will decide on buying a product based not only on signaling value but also on the use criteria; i.e. how it actually will lower costs or enhance performance, variables like product features and quality. For instance, in order to succeed with a differentiation strategy, customers will need to be prepared to pay a premium price. For customers to pay a premium price, they will assess whether a firm will be able to enhance performance or lower costs compared to its competitors based on the use value and signals of value (Porter, 1985).

Use criteria should be precisely mapped so that the company becomes aware of the value it can bring the customer. Later on, the criteria are to be ranked after the value it brings the company to meet the criteria. That way, a company is able to properly rank what criterion is most valuable to offer its customers. Signaling criteria are important to map in order to learn a customer’s process when forming an opinion on how a potential firm will meet the use criteria. A company should always research this through speaking with the customer (Porter, 1985).

Anderson and Narus (1998) concur with Porter’s view on value and base their value definition on his theory. They argue that a value of a product will not become greater by lowering the price of a product, however the incentive to buy the product will become greater. It can be defined as the formula,

\[(\text{Value}_s - \text{Price}_s) > (\text{Value}_a - \text{Price}_a),\]

where the customer will buy from a supplier s if the supplier offering, Value, is greater than the offering of the next best alternative a, Value, (Anderson & Narus, 1998).

3.3.2 Value model

Anderson and Narus (1998) further agree with Porter (1985) in the sense that customer value perception should be mapped. They believe that a value research team should be formed and meet with the customers to map the perceived value of different product features. By mapping value components, and valuing them according to what customers say they are ready to pay for a component, a greater understanding of the perceived value by the customer can be built (Anderson & Narus, 1998). Building a value model, i.e. a list
of features and how much customers are willing to pay, will help a firm deliver superior value (Anderson & Narus, 1998). By documenting and at later sales demonstrating the customer value an offer has delivered, customer value proposition will be a central business skill of a company that can be used to gain superior performance (Anderson, Narus, & Van Rossum, 2006). For example, Netflix, which is a firm that offers movies online, had a system for movie recommendations that initially was free to the user and customers paid for each movie they watched. After realizing that many customers benefited from the recommendation service, Netflix changed their offer to a flat-fee subscription model where the customer got an unlimited amount of movies and a personalized recommendation clerk. The revenue model was altered and the movie recommendation service became an important part of the value proposition (Michel, 2014).

### 3.3.3 Value creation in e-businesses

Value creation can be described as any factor that enhance the value that a business creates (Amit & Zott, 2001). Amit and Zott (2001) present four factors that drive value in e-businesses: transaction efficiency, complementary goods, lock-in and novelty.

- **Transaction efficiency** is one of the most important value drivers. A high transaction efficiency means that the costs of each transaction is low, hence the transaction is more valuable. Transaction efficiency can be realized by reducing information asymmetry between the focal firm and the customer through providing updated and comprehensive information. Low information asymmetry can reduce the customer’s search and bargaining costs and facilitate for faster and more informed decision making (Amit & Zott, 2001).

- **Selling complementary goods** is another factor that can create value as selling a bundle of products may provide more value than selling each product separately (Amit & Zott, 2001). The perceived value of a customer can be strengthened through bundling (Porter, 1985). A bundled product offering where several products are bundled and sold together as a package, simplifies the shopping experience for the customer as the purchase and service can be retrieved from one single firm (Porter, 1985). Selling products in a bundle is also a way of penetrating different market segments since different bundling combinations can attract different types of customers and is a way to avoid price wars among competitors since it’s harder to compare products (Michel, 2014).

  Controlling complementary products can also improve the overall perceived value of the customer because customers consider them to be correlated (Porter, 1985). For example, Kodak benefited from selling both film and cameras as it enhanced the perceived value of the products compared to competitors that only offered cameras, even though the products were not sold in a bundle (Porter, 1985). Agreeing with Porter (1985), Amit and Zott (2001) argue that the perceived value can be strengthened through selling complementing products or selling products in a bundle. These can be vertical complementary products or services (after-sales services) or horizontal (one-stop shop, cameras and film).

- **Another important factor for value creation is encouraging customers and strategic partners to engage in repeating transactions to create a so called ‘lock-in’ effect**
(Amit & Zott, 2001). According to Smith, Bailey, and Brynjolfsson (2000), a customer’s switching cost can be increased if the customer gets used to an interface of a specific software or web page as they may be less willing to change to an unfamiliar service. Creating a lock-in effect by leveraging the customer’s switching cost can create a higher customer retention and also motivate customers to pay a premium price for a product or service (Smith et al., 2000). Strategic assets such as brand and customer-seller trust also contribute to customer retention. Further, customization and personalization of a product or service is another way to achieve lock-in (Amit & Zott, 2001).

- The last parameter for value creation is novelty, that is innovation can enhance the value creation (Amit & Zott, 2001). Schumpeter (1934) argued that innovations can create value. New products and services, new methods for distribution, products and marketing are all traditional ways of creating value through innovation (Schumpeter, 1934).

### 3.4 Strategy

There is not a lot of literature on the topic of revenue models and strategic alignment, however there have been research conducted on the topic of aligning the business model with product market strategy and how a good fit can ensure enhanced performance (Zott & Amit, 2008). The issue of designing a viable business model is interrelated with fundamental business strategy, namely to design a business model that can help build a sustainable competitiveness and create profitability (Teece, 2010). By creating a business model that is hard to imitate, differentiated and effective, organizations can gain competitive advantage and create a profitable business (Teece, 2010). According to Casadesus-Masanell and Ricart (2011), it is also important that the business model is aligned with the company goals.

As the business model and revenue model are linked, the analysis of a revenue model likewise needs to include the alignment with strategy and strategic fit, that is a positioning to internal processes and organizational goals. In order to evaluate a revenue model’s fit to strategy, strategic frameworks are needed not only to identify the strategy but also to ensure that strategic choices are converted into strategic actions within the company. The following sections will present theory on generic competitive strategies and strategy execution.

#### 3.4.1 Generic competitive strategies

For any given firm, the best strategy for gaining a sustained advantage and outperforming competitors is developed through evaluation of its unique circumstances (Porter, 1980). Moreover, there are in general three generic strategies to pursue in order to outperform competitors as seen in figure 3.1; overall cost leadership, differentiation and focus (Porter, 1980):

- **Overall cost leadership.** Cost leadership is achieved through reductions in costs and can gain a firm over-average performance in an industry with strong forces,
that is strong bargaining power from suppliers, strong bargaining power from buyers, threat of new entrants, threat of substitutes and/or rivalry within the industry. Normally, a cost leadership strategy requires cost reductions within R&D, service, sales force, advertising and such. In order to gain overall cost leadership, a firm needs to have access to certain advantages and/or a high relative market share. This strategy can shift a market’s competitive landscape, where incumbents are not prepared to take the steps towards cost minimization (Porter, 1980).

- **Differentiation.** Differentiation is another strategy where the firm creates an offering that is industry-wide unique. The uniqueness can take the form of design or brand image, technology, features, customer service, dealer network or another dimension (Porter, 1980). Differentiation as a strategy creates competitiveness as it nurtures brand loyalty, thus hindering substitution (Porter, 1980). In order to pursue differentiation, the product that is offered needs to enhance customer’s performance or lower the customers’ costs (Porter, 1985).

- **Focus.** The final generic strategy is based on the premise that a focused firm can better serve a narrow segment than a firm competing broadly. The focus can be a certain customer group, segment of the product line, or a geographic market. A firm competing on focus can hold overall cost leadership, differentiation or both, therefore position itself competitively against the competitive forces (Porter, 1980).

A firm being unable to go in any of the three direction will be “caught in the middle”. Not having a clear strategy will cause low profitability as the company will not be able to get volume from the price-sensitive customer nor have a share of the high-margin customers looking for differentiation. Usually, a company stuck in the middle will have an unclear corporate culture and a conflicting organizational setup (Porter, 1980).

The generic strategies have met criticism, especially regarding the fact that Porter (1980) claims that there has to be a choice between them and that it is not possible to pursue overall cost leadership together with differentiation simultaneously. Miller (1992) argues that strategic specialization can make a company weak in areas as product offering, ignore essential customer needs, easily countered by competitors, cause an un-
wanted rigidness in a company and diminish a company’s vision. Further, Miller (1992) discusses the fact that it is easier for competitors to imitate specialized strategies and that a company earns profit from added value to an offering but also a boosted demand from a lower price and anything that adds value should be justified. However, on certain occasions a generic strategy can be preferable to a mixed; when a market has a preference for a certain feature, for instance price or quality, and there is a stable demand that has not yet been met by competitors (Miller, 1992). Furthermore, Miller (1988) points out that the performance of a firm does not only depend on choice of strategy, but also its environment. In a stable and predictable environment, cost leadership is more successful whereas innovative differentiation often is successful in uncertain environments (Miller, 1988).

3.4.2 Strategy execution through balanced scorecards

Once a strategy has been set, it has to be implemented. The design of a revenue model is a tool for strategic execution, thus there has to be a connection between the two. One common method of aligning the company goals to the strategic vision is using a balanced scorecard that was most famously introduced by Kaplan and Norton (1993). The balanced scorecard has four different dimensions: (1) financial that connects to shareholders, (2) customer that is linked to customers, (3) internal perspective that mirrors the internal management processes and (4) innovation and learning, connected to organizational learning. For each dimension, the managers ask themselves what impact the vision or strategy will have. Based on that, they identify the most important success factors that need to be executed in order to reach that change or impact. Lastly, the managers develop performance measurements based on most important success factors previously stated. The balanced scorecard is used to streamline and focus a business on its strategy and thus creating superior performance. The process of developing a balanced scorecard is top-down and based on the vision and strategy of a company, not the ad-hoc processes developed at local offices in order to keep the business focused on the vision of the company (Kaplan & Norton, 1993).

Kaplan and Norton (1996) further discuss how the balanced scorecard makes the strategic vision easier to communicate as the strategic objectives are transformed into performance measurements for employees. The measurements can be linked to commissions and bonuses of employees as some companies believe that financial compensation is a lever (Kaplan & Norton, 1996). However, it can be risky to link the developed strategic performance measurements to employee compensation if the company has put the wrong measurements on the balanced scorecard (Kaplan & Norton, 1996). Nonetheless, by tying the company objectives to employees’ objectives, it is easier for the employee to better understand how their actions affect the overall performance of the company (Kaplan & Norton, 1996). Neilson, Martin, and Powers (2008) support the arguments of Kaplan and Norton, as their research has shown that one of the success factors of strategy execution is communication of strategic goals in that the employees clearly understand their responsibilities and also the effect their decisions have on the company’s bottom-line.

Criticism has been lifted towards the balanced scorecard and one argument that is raised by Jensen (2001) is that the balanced scorecard has no single score that assesses
the performance of a manager but can contain two dozen performance measurements. With that, it becomes difficult for a manager to prioritize and make decisions of trade-offs between the different measurements (Jensen, 2001).

3.5 Competitor identification

Unlike common belief, there are not only disadvantages to having competitors. Porter (1985) suggests that competitors and competition can enhance the offering of a company as it can facilitate for the customers identifying the unique value being offered as it allows customers to juxtapose offerings. Furthermore, competitors can serve as a motivator for cost reductions, improvement of products and keeping in step with technological change (Porter, 1985). However, in order to gain a competitive advantage, it is important to have an understanding of the development of competitive advantage and also an understanding of the competitive landscape (Porter, 1980).

3.5.1 The resource-based view on competitiveness

The resource-based view (RBV) is a theory of strategic management that analyzes the resources of a firm and how they can be used to create a sustained competitive advantage (Barney, 1991). The theory has its foundation in strategic theory that focuses on strategy development based on the internal strengths and weaknesses of a firm and the external opportunities and threats (Andrews, 1971). From that, Wernerfelt (1984) presented the resource based view. A resource, according to Wernerfelt (1984), is an internal strength or weakness of a company and a resource holder will be able to stay competitive relative other competitors and potential entrants. The theory is based on the two assumptions that (1) resources are heterogeneously distributed over firms in an industry i.e. firms have different resources built up over time, which means that they compete differently on a market (Barney, 1991); and (2) resources are immobile and do not easily transfer from one firm to another (Teece, Pisano, & Shuen, 1997).

Barney (1991) further concluded that there are four different conditions that need to be met in order for a resource to provide a sustainable competitive advantage; it has to be (1) valuable; (2) rare; (3) imperfectly imitable; and (4) no existing substitutes should be available. Together they constitute the VRIN-framework (Barney, 1991). A resource is valuable if it allows a firm to develop or implement a strategy that improves efficiency and effectiveness (Barney, 1991). Rare resources are valuable when they allow implementation of a strategy that few other firms are implementing (Barney, 1991). A resource can only be a source of sustained competitive advantage if the resource is imperfectly imitable, i.e. difficult to imitate by other firms (Barney, 1991; Dierickx & Cool, 1989). Lastly, in order to gain sustained competitive advantage, there cannot be any rivalry resources having the same function (Barney, 1991).

The most prominent criticism against RBV has been brought to light by Priem and Butler (2001). They claim that the reasoning of Barney (1991) is circular, self-fulfilling and therefore invalid. Especially Barney’s claim that; competitive advantage is a value-creating strategy made out of resources that are, among other attributes, valuable. Barney’s response is that any theory can be rephrased as self-fulfilling (Barney, 2001).
3.5.2 Scanning the competitive landscape

Peteraf and Bergen (2003) introduce a framework for scanning of the competitive landscape that is not only based on the market offering of competitors but complemented with RBV. Peteraf and Bergen (2003) claim that as RBV takes resources and capabilities into account when deciding on how firms compete, and therefore it should be implemented on competitive scanning and firms with equal capabilities but not equal products should be identified as indirect competitors as they can provide a substitute.

The framework, which can be seen in figure 3.2, has two different axes: (1) market need correspondence that answers yes/no if the competitor is meeting the same market need and (2) capability equivalence that on a continuous axis, Hi/Lo, answers how similar the capabilities of the competitor is. Quadrant I consists of companies that have the same capabilities and meet the same market need. These are the most direct competitors that managers should closely monitor. In quadrant II the firms that are equivalent in capabilities can be found, however they do not directly compete with the focal firm. Nonetheless, these firms have the capacity to meet the same market demand as the company but do not do so at the time. The firms in quadrant III are not competing with the focal firm and do not have the capacity to do so, however this can change over time and should therefore be monitored. The last quadrant, quadrant IV, contains firms that are meeting the market demand but not with the same capabilities as the focal firm, hence not meeting the demand as effectively (Peteraf & Bergen, 2003).

By having a resource based view, the competitive identification will allow managers to identify indirect rivals and thus having a more defensive approach to competitors and identifying possible new entrants earlier. Further, by analyzing the market need that is met and having a customer-oriented approach, instead of product similarities, it allows managers to use marketing tools to develop a strategy that influences customers’ perception of their need (Peteraf & Bergen, 2003).
<table>
<thead>
<tr>
<th>Perspective</th>
<th>Description</th>
<th>Example</th>
</tr>
</thead>
<tbody>
<tr>
<td>Political</td>
<td>Describes how a government will affect an economy or industry</td>
<td>Policies of political parties, voting rates and trends</td>
</tr>
<tr>
<td>Economical</td>
<td>Factors that will change an economy’s performance and therefore have a long term effect on a company</td>
<td>GDP development</td>
</tr>
<tr>
<td>Social</td>
<td>Factors like culture and demographics</td>
<td>Unions, ideological characteristics</td>
</tr>
<tr>
<td>Technological</td>
<td>Technological innovation that might affect a company’s operations</td>
<td>Number of universities in a region, patents held</td>
</tr>
<tr>
<td>Legal</td>
<td>Both internal policies of a company and external laws of a government can create constraints for a business</td>
<td>Presence of property protection laws</td>
</tr>
<tr>
<td>Environmental</td>
<td>All factors surrounding the environment, especially important for companies within industries like tourism and agriculture</td>
<td>Pollution levels, level of environmental legislation</td>
</tr>
</tbody>
</table>

Table 3.2: PESTLE analysis

### 3.6 Macro environmental analysis

Companies act in a macro environment where amongst other things government laws and social structures can affect an industry (Afuah & Tucci, 2000). The macro environment indirectly impacts the competitive landscape but also what business models are adopted within an industry (Afuah & Tucci, 2000). Morris et al. (2005) also argue that the business model must have an external fit, meaning that the model must be aligned with the external environment to ensure sustainability. Still, according to Hambrick (1982) there is not much environmental scanning pursued by executives.

#### 3.6.1 PESTLE-analysis

The PESTLE framework, see figure 3.2, consists of six different aspects: political factors, economical factors, socio-cultural factors, technological factors, legal factors and environmental factors, and is used to analyze factors affecting an industry from macro perspectives (Grant, 2010). Commonly, the framework is used to identify not only risks but also opportunities created by the macro environment through grouping the different environmental dimensions (Bensoussan & Fleisher, 2012). Hence, the framework can be used to analyze the environment that a company is active in and to identify future opportunities generated by macro environmental changes (Bensoussan & Fleisher, 2012). Therefore, the framework is useful as a strategic management tool. The macro environment is wide-ranging and has long-term effects on a company’s organization and strategy but the effects on a company are often indirect thus making it difficult for management to prioritize (Bensoussan & Fleisher, 2012).

In order to conduct a successful environmental analysis, the process needs to be linked to current planning operations by involving key organizational planners in the activity. Having cross-functional teams gathering the information will minimize the risk
of decision makers reading the environment inaccurately which is usually the case in weaker environmental analyses. Other common pitfalls are: not being able to conceptualizing or defining the environment, being too short-term oriented and not investing in a PESTLE-analysis with long-term effects and the risk of personal bias and human limitation when conducting an analysis — especially in multinational environments where home-country biases are common (Bensoussan & Fleisher, 2012).

A PESTLE analysis can be conducted through this five step work process as suggested by Bensoussan and Fleisher (2012):

1. **Understand the segment of the environment being analyzed.** By identifying key events and trends and supporting the findings with data or evidence, the environment can be better understood. Furthermore, the historical evolution of the trend should be analyzed in order to identify where in the life cycle the trend is situated. Moreover, the rate of change in the trend should be recognized and also the effect the trend will have on the organization (Bensoussan & Fleisher, 2012).

2. **Understand interrelationships between trends.** By understanding the interrelationship between trends, the impact of a particular trend can be better comprehended. Also, conflicts between trends should be mapped in order to analyze if trends are counteracting one another, for instance people are becoming more committed to their work but at the same time they want to spend more time with their family (Bensoussan & Fleisher, 2012).

3. **Relate trends to issues.** Not all of the macro trends will have a large impact on the organization or industry, as some of the trends do not interact with the strategy or execution of the company. Therefore, by analyzing and identifying trends and combinations of trends that are most likely to have the largest effect on the company, so called issues, the analysis will become more relevant (Bensoussan & Fleisher, 2012).

4. **Forecast the future direction of issues.** After the issues have been identified, the underlying forces of the issues should be analyzed thus establishing the causes of the trends and not the symptoms. The identified causes will help in analyzing the different possible scenarios as projection of the development of the causes and thereafter the issues will be less complicated (Bensoussan & Fleisher, 2012).

5. **Derive implications.** In order for the environmental analysis to contribute with input to strategic planning processes, implications should be derived from the issues. The implications should cover; (1) What structural forces that are present in the industry; (2) How the forces affect the strategy of the company; and (3) how they are expected to affect competitors’ strategies (Bensoussan & Fleisher, 2012).

### 3.7 Research gap

In the previous chapters we have reviewed literature from strategic management and customer value studies relevant to a revenue model analysis. The chapter has been divided into five parts that corresponds to the important dimensions of revenue model analysis: *financial measurements, customer value, strategy, competitor identification* and *macro
environmental analysis. The literature has helped us to gain knowledge of how firms can analyze their revenue model from a profitability and competitive standpoint and will form the foundation on which we will base our analysis of this study.

Today, there are various disparate definitions of a business model (Dubosson-Torbay et al., 2002; Johnson et al., 2008; Morris et al., 2005; Shafer et al., 2005; Wirtz et al., 2016). The lack of a unified definition has resulted in an absence of literature analyzing the interaction between the components of a business model, where the revenue model is one of them. This thesis bridges that gap in analyzing the concurrent factors affecting a revenue model from not only an internal perspective but also an external perspective.

Current business model literature has not exhaustively discussed what constitutes a good business model nor revenue model, thus suggesting further research within that area: “In literature it is frequently emphasized that successful companies need a flexible and ‘good’ business model. What determines in this context the goodness/quality as well as the flexibility of a business model — and/or what the essential success factors in this context are — is usually not expounded. This results in the central question: how can the goodness/quality of a business model be determined at all?” (Wirtz et al., 2016, p. 16). As the revenue model is a subset of a business model the lack of a definition of a ‘good’ revenue model persists, consequently motivating this research.

Previously, research regarding revenue models has been conducted in various industries: Software-as-a-Service (Ojala, 2013), software vendors (Lehmann & Buxmann, 2009) and digital libraries (Markscheffel & Fischer, 2007). Be that as it may, revenue model analysis for the credit decision services industry has not, to our knowledge, been researched.

The identified literature gap has motivated our main research question:

*How can a firm offering credit decision services analyze its revenue model?*

The aim of the study is to present how companies offering credit decision services can analyze revenue models to ensure its competitiveness and profitability.
In this study, Bisnode, its credit decision services and its revenue models are the main objects. This chapter provides a background to the company, an introduction to its credit decision services and an overview of the revenue models currently in use at Bisnode.

4.1 Bisnode

Bisnode is an information company that was founded in 1989. The company has its headquarters in Stockholm, Sweden and has a total of 2 400 employees throughout 18 different European countries. Bisnode is owned by Ratos and Bonnier, where Ratos holds 70% and Bonnier 30% of the shares. Bisnode has divided its products and services into five different groups (Bisnode, 2016):

- **Analyse.** Consists of analysis of customers, not only current customers but also potential new customers. It improves the company’s knowledge of its customers through variables such as age, income, level of education etc. Bisnode can also help a company find possible new customers that match the characteristics of the current customer base. For instance, Bisnode offers a service that maps the patterns in customers’ invoice payment behavior in order for Bisnode’s clients to be able to identify customers that they need to monitor more closely and thus minimizing risk.

- **Verify and enhance.** Provides information concerning risks that are attributed to the payment capacity of customers of a company. Bisnode handles customer portfolios in order to minimize risk and provides reports and other information regarding customers’ credit strength.

- **Target.** These services can select a target group based on certain characteristics like personal information, properties or vehicles, thus enabling targeted communication. Further, Bisnode can clean and update customer databases to improve usability and correctness.

- **Communicate.** This category of services develops directed campaigns for both postal services, digital commercials and magazine attachment commercials. Bisnode can also aid companies in developing their payment index and growth index. The two indices help a company to be credible.

- **Manage relations.** In this category, Bisnode offers customer loyalty program services and identification of the most profitable customers in a customer base. It
allows companies to gain a deeper understanding of their customers and produce a more tailored offering.

Credit decision services are managed by the Risk & Credit department and figures both within the “Analyse” and “Verify and enhance” product categories.

4.2 Credit decision services

Credit decision services minimize risk and facilitate credit operations. The services are based on data that Bisnode has gathered and refined. The to the customer provided information is enough to either make decisions on their own regarding credit or having the decision process being customized and handled by Bisnode. The services are mostly delivered online, on Bisnode’s various platforms, but can also be delivered on a USB-stick, as a paper copy or integrated in the customers’ own systems. In the following sections, more in depth information about the products included in credit decision services is presented.

4.2.1 Credit reports

Credit reports provided by Bisnode contain both financial information and a credit rating that enable Bisnode’s customers to make credit decisions. The reports can either be issued containing credit information of company or of an individual. The AAA-credit rating is an important trademark of Bisnode that ranks creditworthiness of companies or individuals based on an algorithm taking several different sources of data into consideration. The AAA-rating is included in the reports that helps customers to make fast and accurate credit decisions without having to go through a large quantity of financial data themselves.

4.2.2 Credit monitoring

Monitoring services aid customers in continuous credit management. There is a risk that the creditworthiness of an existing customer, supplier or business partner changes. Bisnode’s credit monitoring service monitors the existing credit portfolio and signals if the creditworthiness shifts. The monitoring service is often sold in connection with credit reports as the credit reports state the creditworthiness of an object at one point in time and monitoring alerts the customer of updates of creditworthiness the object.

4.2.3 Decision support

Decision support solutions are used to automate the current credit policy and processes of Bisnode’s customers to increase the accuracy and efficiency of decisions and to decrease manual work. Instead of letting customers make decisions themselves based on the credit information Bisnode provides, the credit decision is automated. The decision model is developed in cooperation between the customer and Bisnode, and the output of the model tells if a new customer should be accepted, declined or manually reviewed.
<table>
<thead>
<tr>
<th>Revenue model</th>
<th>Market offering</th>
<th>Payment setup</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prepaid</td>
<td>Use of agreed products until nothing is left of prepaid sum or agreement period is over</td>
<td>Pay in advance</td>
</tr>
<tr>
<td>Fixed price</td>
<td>Unlimited use of agreed products during agreement period</td>
<td>Pay in advance</td>
</tr>
<tr>
<td>Subscription</td>
<td>Limited access to service during agreement period</td>
<td>Monthly payment and setup fee</td>
</tr>
<tr>
<td>Fixed-size package</td>
<td>Use agreed products until nothing is left of package or until agreement period ends</td>
<td>Payment in advance</td>
</tr>
<tr>
<td>Running</td>
<td>All products available for use</td>
<td>Payment after each month depending on usage</td>
</tr>
</tbody>
</table>

Table 4.1: Revenue models currently in use at Bisnode

### 4.3 Revenue models

Bisnode Risk & Credit uses various different revenue models, which can be seen in table 4.1, as it is the result of a merger of several different companies. That is, the revenue models are a legacy from the consolidation of different companies. For the credit decision services, some revenue models are more frequently used than others and it also differs between products and customer segments.
5  |  Findings

In this chapter the empirical findings from the interviews, observations and archival information gathering are presented. All information was collected during the case study at Bisnode. The findings have been categorized in themes and dimensions based on the content and aligned with the literature study. See figure 5.1 for an overview of the findings.

5.1 Analysis requirements

The pre-interviews conducted with employees highlighted the fact that there was a need of a framework to help Bisnode analyzing revenue models. From the observations we noticed that many discussions were held regarding what revenue model Bisnode should implement, however these discussions rarely lead to any conclusions and the conversation often went in circles touching upon the same arguments several times. The Director for Risk & Credit noted:

“For the time being, it is the responsibility of each product owner to decide revenue model and that is basically done based on input from the sales department. There is no structured method or structured process for reassessment and changing revenue model, it is more or less based on gut feeling or what customers ask for.”

Even though the interviewees recognized that there is no real process for analyzing or developing revenue models, they unanimously stated that there needs to be a continuous evaluation of the revenue models. It became obvious that the interviewees did not have an opinion on the frequency of the evaluation but once a year was often suggested. Further, as the revenue model is indirectly affected by factors as environmental changes, changed customer need and new strategies, it should be reviewed after changes to these factors. The Director for Risk & Credit noted:

“We should routinely review [the revenue model]. Also when a new product is released, it becomes really important to review it. Further, when there are changes to the market in any way, for instance if a new player enters with a new service or something similar. . . . When [the market] changes or when your own consumption patterns are changed you bring your new

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1As all interviews were held in Swedish all quotes have been translated from Swedish to English by the authors.
habits to your work life and that generates new requirements of a revenue model.”

Therefore, the result of this thesis needed to be a framework that allows structured analysis of revenue models. Thus making it possible for Bisnode to know how and when to work with revenue models but also to be able to use the framework in the internal discussions making it easy to reach conclusions regarding revenue models. The themes that were identified can be found in Figure 5.1.

5.2 Financial measurements

When conducting interviews at Bisnode, it became clear that the financial factors were of paramount importance in order for a revenue model to be viable. If a revenue model does not allow a company to make money, the revenue model is not implementable. In this section, four different financial measurements will be discussed: (1) profit maximization, (2) scalability, (3) cash flow and (4) churn minimization.

5.2.1 Maximize profit

The interviewees all established profits as the most important criteria for a revenue model. At Bisnode, there are a lot of discussions regarding revenues as it is the measurement being used in the commission system. Most analyses are made based on revenue, making it the most common measurement at the company. Nonetheless, the interviewees all agreed that profit is more important than revenues and that it would be more relevant to define company goals and among other things design a commission system based on profitability. In the end, a revenue model needs to allow generation of more revenues than costs so that a company can earn profits. The Transformation Program Lead noted:

“At the end of the day, we could have any [revenue] model as long as we reach [our financial] goal.”

The revenue model should also make sure that Bisnode captures as much value on the market as possible, i.e. ensure that customers are willing to pay for the value Bisnode generates. By capturing more value on the market, revenues will increase and that will increase profitability.

“We want to secure as high of a margin as possible as we have a lot of fixed costs.” (Transformation Program Lead)

As profits are important, it is vital for Bisnode not only to identify what revenues a revenue model generates but also to identify the costs it generates. For instance, some revenue models generate a vast amount of invoices thus creating high administration costs whereas other revenue models might generate larger sales costs as the sales cycle is longer, which is the case for subscriptions at Bisnode. The subscription revenue model usually costs more to sell as the contract period is longer, thus making it more difficult to sell as it is a bigger investment for the customer. Both costs and revenues therefore
<table>
<thead>
<tr>
<th>Dimension</th>
<th>Theme</th>
<th>Representable quote</th>
<th>Source</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial</td>
<td>Maximize profit</td>
<td>“At the end of the day, we could have any [revenue] model as long as we reach [our financial] goal.” (Transformation Program Lead)</td>
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<td></td>
<td></td>
<td>“If your business is based on increase in usage, then the revenue model should be scalable as the customer grows and uses the service more.” (Business Development Director)</td>
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<td></td>
<td>Scalability</td>
<td>“[Some customers] pay a large sum each December, and for that they get a certain amount of credit reports and if they at the end of next November have used more than allocated to them, they get an extra invoice . . . That is a variation of revenue model that we have and that is good from a cash-flow point-of-view as it ensures liquidity.” (Sales Manager Major Accounts)</td>
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<td></td>
<td>Cash flow</td>
<td>“If [the customers] pay over a certain level, [the contract] will get noticed in internal checks if they check for all costs over, let’s say one million kronor. That might affect churn.” (Sales Director Large Accounts)</td>
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<tr>
<td></td>
<td>Minimize churn</td>
<td>“A revenue model must be customized to meet the big amount of varying demands that are out there. Our smallest customers have a predefined view on who they should be doing business with, thus rendering our information not that valuable. The largest customers however value our information highly as it has an important control functionality for them. Then there is a large grey zone in between those two segments. With undifferentiated revenue models, it is difficult to handle the varying demand.” (Transformation Program Lead)</td>
<td></td>
</tr>
<tr>
<td>Customers</td>
<td>Customer preferences</td>
<td>“[A good revenue model] should be very easy to understand. Complex revenue models make it much harder for the customers to understand what they actually pay for. I think [it being easy to explain] is one of most important criteria of a revenue model.” (Business Development Director)</td>
<td></td>
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<td></td>
<td>Communication</td>
<td>“Well imagine how easy it would be to consistently sell for 10% less than your competitors thus having a low cost strategy. However, it is much more difficult to sell based on higher quality and the achieved effects of it; higher profits, less risk. To have that discussion is much more difficult than competing on price, but more sustainable.” (Director Risk &amp; Credit)</td>
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<tr>
<td></td>
<td>Strategy</td>
<td>“One of the difficulties of implementing a new revenue model is the commissions amongst the sales force. The process and system for commission must be altered in order to realize a new revenue model.” (Sales Director Large Accounts)</td>
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<td></td>
<td>Strategic fit</td>
<td>“It is very important to have an understanding of the competitive environment. . . . We know that most customers compare suppliers and weigh the pros and cons between them. We have to understand our competitors [revenue models].” (Director Risk &amp; Credit)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Competition</td>
<td>“Nowadays we are starting to change our consumption behavior. Everybody has a Spotify or a Netflix account. 10 years ago it would have been unreasonable to have expenditures like that. When your own consumption change, you bring that into your work life.” (Director Risk &amp; Credit)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Macro environment</td>
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</table>

Figure 5.1: Identified themes
has to be taken into account so that a profitable revenue model can be chosen. Our interview subjects find this factor the most important one that needs to be prioritized when developing a new revenue model.

Another aspect to consider is what fixed costs that are related to the implementation of a revenue model, such as investments in systems due to technical limitations or investments in human capital. As one of the Product Managers put it:

“[What decides if a revenue model is executable or not] is the internal systems. They have restricted me several times. I have had an idea of creating a new type of package and charge the customer in a certain way, but it has not been possible because of our systems.”

Some revenue models may require more technical or human resources than others to execute. For example, having bracket pricing i.e. prices go down when the volume goes up, is a technical challenge that Bisnode has been facing. If a revenue model with bracket pricing is implemented, it may result in large investment cost as the internal systems have to be altered.

5.2.2 Scalability to different demands

All of the interviewees agreed on the importance for Bisnode of having a revenue model that is scalable, i.e. a model that is profitable for different customer demands. For instance, a flat-fee subscription revenue model with a fixed price might render the large-volume customers unprofitable as they will not generate more revenue when the consumption increases.

For a business like Bisnode, where the business model generates revenues based on usage, it is important to differentiate the revenue model so that different demands can generate profits. For example, a transactional revenue model based on usage is scalable in Bisnode’s scenario as its customers usually are differentiated on usage. However, if the business is based on number of users/viewers, for instance advertising, it is important to scale the revenue model after number of views. The Business Development Director captured this idea:

“If your business is based on increase in usage, then the revenue model should be scalable as the customer grows and uses the service more.”

Therefore, it is important to make sure that the revenue model is scalable and can ensure profits from different customer demands and also when customers grow and increase their demand.

5.2.3 Cash flow

Cash flow is another factor that was discussed during the interviews. Cash flow is an important factor for any company as having a positive cash flow can enable investments and funding of operational expenses. There are therefore advantages getting payments from customers before the customers consume the products, as it can produce a positive cash flow. For instance, if a company gets payments in advance, the revenues can be used
to finance operational expenses. If the opposite is considered, a company that receives payments after the products or services are consumed might have to lend money for the operational expenses, thus making it important to consider when in time the payments will be received when designing a revenue model. For Bisnode, it is important to receive the payments as soon as possible as it is in need of liquidity. A Sales Manager for Major Accounts noted:

“[Some customers] pay a large sum each December, and for that they get a certain amount of credit reports and if they at the end of next November have used more than allocated to them, they get an extra invoice. … That is a variation of revenue model that we have and that is good from a cash flow point-of-view as it ensures liquidity.”

Furthermore, there is a certainty in knowing how much will be sold during a period, which can be controlled with a revenue model. When only paying for the actual usage afterwards, it becomes more difficult for a company to in advance ensure sales as it can only make predictions of how much customers will use. Some revenue models, for instance subscriptions or prepaid will give a company information of how much they will earn during a period of time — subscriptions as they continue month after month or year after year until someone discontinues it, or prepaid as it enables calculations of sales for a certain time period at the time of sales. Having the ability to better predict sales would make for instance budgeting easier for Bisnode.

5.2.4 Minimize churn

Another measurement that was discussed during the interviews was the effect a revenue model has on churn. The interviewees agreed that it to some extent had an impact. Having a revenue model that automatically prolongs will decrease churn as content customers will not have to actively renew their contracts. Moreover, revenue models that require customers to pay big lump sums, like for instance Bisnode’s prepaid revenue model, might have negative effect on churn as larger sums are more likely to be investigated and questioned by the customer when they want to cut costs or become more efficient. A Sales Director for Large Accounts recognized:

“If [the customers] pay over a certain level, [the contract] will get noticed in internal checks if they check for all costs over, let’s say one million kronor. That might affect churn.”

The credit decision services industry that has historically had high churn numbers and if a revenue model can positively influence churn it can be relevant to design the revenue model so that it decreases churn.

Usually, selling a subscription will require more resources than selling a single product as the upfront sale is larger. However, in the end it may be cheaper to sell a subscription than selling a single product to a customer as the risk of losing the customer is lower. The Business Development Director noted:

“A revenue model that is a subscription is typically more profitable for us as it does not cost as much to sell long term. However, short term it is much
more difficult from a sales perspective to sell a subscription, the sales cycles are longer on that type of sale as the customers tie themselves for a longer period of time. …Nevertheless, selling a single report requires more in terms of price point, you have to ensure that you really covered your costs.”

However, the interviewees thought that churn is based on customer satisfaction and that the revenue model in itself can not completely alter the churn numbers.

5.3 Customers

It became evident from our case study that the customer dimension is of relevance when analyzing a revenue model. Even though a revenue model appears viable from a financial point-of-view, it must be aligned with customer preferences in order to be successfully implemented as customers may favor a certain way of paying or have other requirements that make them prefer a certain revenue model. Furthermore, having a revenue model that enhances the value proposition and is easy to communicate were identified as important criteria for a good business model. This section will present the customer dimension of a revenue model analysis.

5.3.1 Customer preferences

During our interviews we discussed that different preferences and prerequisites in various customer segments should be considered in revenue model analysis. As Bisnode has customers of various size and in different industries, this must be taken into consideration when assessing a revenue model. A firm must adapt their revenue model to different customer segments as different customers have different demands and willingness to pay for various services. For example, large customers often have a high bargaining power, and in the B2B-segment, the sales process is often very long and complicated, hence the choice of revenue model is very dependent on the demands of the customer. Moreover, large customers often have a higher consumption of a service than smaller customers, which have implications on the choice of revenue model. For smaller customers the revenue model does not have to be adapted to each customer to the same extent, and it is therefore easier to have a predetermined revenue model for the whole segment. Furthermore, smaller customers are often not as dependent on the service Bisnode provides as large customers, which influence the design of the market offering. The Transformation Lead recognized the importance of capturing the varying demands in the revenue model:

“A revenue model must be customized to meet the big amount of varying demands that are out there. Our smallest customers have a predefined view on who they should be doing business with, thus rendering our information not that valuable. The largest customers however value our information highly as it has an important control functionality for them. Then there is a large grey zone in between those two segments. With undifferentiated revenue models, it is difficult to handle the varying demand.”

Also, even though a revenue model will be used for a specific customer segment, there can be variations of demand within the chosen segment. One example that was
discussed during the interviews was that even though small- and medium businesses (SMB) is one target group that was suggested as appropriate for a certain revenue model, there may be shifts in demand within that particular customer segment. In Bisnode’s example, different customers within the SMB-segment might demand for different type of credit data depending on type of industry the customer is active in. Hence the market offering should be analyzed according to these differences.

5.3.2 Easy to communicate

A finding from the interviews at Bisnode is that the revenue model should be easy to communicate to the customers. For example, a flat-fee revenue model where users pay a fixed price a month for accessing a service or a transactional-based model where users pay for each component they consume are models that are concrete and easy to explain. Complex revenue models with too many options or payment parameters are harder to communicate to the customers, and it is harder to define and therefore motivate what the customer actually pays for. Likewise, having too many different revenue models may confuse the customer. However, the revenue model does not have to be simple. A revenue model with a basic offering, where services or functions can be added after customer need, may be easy to explain but not necessarily simple. As the Director of Business Development concluded:

“[A good revenue model] should be very easy to understand. Complex revenue models make it much harder for the customers to understand what they actually pay for. I think [it being easy to explain] is one of most important criteria of a revenue model”

Our findings suggest that by linking the revenue model to the value that is being offered, it is easier to communicate and motivate the price of an offer. One part of what Bisnode wants to deliver to their customers is a feeling of safety and that Bisnode is a credit risk partner rather than a provider of credit reports. For example, having a revenue model where the customers pay for each credit report i.e. having a transactional revenue model may not be the best way to capture the value the Bisnode aspire to deliver to its customers. Instead, having a subscription revenue model where a certain amount of credit reports is included enhances the value Bisnode wants to deliver — taking care of the customer’s credit risk. In this case, customers will not have to worry as much about the cost of each credit report but perceive Bisnode’s offering more as a credit safety which they pay for each month. Hence, the value proposition is strengthened by the revenue model. The Business Development Director highlighted the relationship between the revenue model and the value proposition:

“[A good revenue model] should be linked to the value that is delivered to the customer. . . . It should be clear to the customer what they are paying for.”

How the service and products are bundled is also important to consider in order to properly communicate an offer. Low-cost competitors have reduced the price of credit reports which has caused a price erosion of these services. By designing a bundled
product offering that includes analytical services such as decision support, Bisnode can deliver a higher value to the customer, which motivates a higher price of the product bundle. Moreover, a revenue model can be used as an incentive for customers to pay a premium price for a product or service. A subscription service might signal a higher quality because of the credit risk service that the customer experience. By bundling and/or linking the revenue model to the value that is being offered, the price point of Bisnode’s products will be more easily motivated.

5.4 Strategy

The interviewees stated the importance of making decisions consistent with Bisnode’s strategy as it will allow the strategy to be more successfully executed. Moreover, they emphasized the importance of the fit between the revenue model and the internal resources and processes as these are key factors in determining if a strategic plan will be accomplished.

5.4.1 Alignment with strategy

From the interviews, it became evident that the revenue model is affected by a company’s strategy. For instance, if Bisnode wants to compete on quality, it is important that the revenue model mirrors the strategy by e.g. competing with a high quality offering with a lot of value in the form of for instance extra services and also a payment setup that mirrors the quality of the product.

During several interviews, the revenue model of a low-cost competitor was discussed. The competitor’s revenue model consists of selling flat-fee subscriptions of credit reports, with a limit set so high that it is difficult to use all of the reports within the time period. Thus, a feeling of getting an endless amount of credit reports for a certain amount of money was something that caused Bisnode to lose customers. Even though some interviewees suggested that adopting such a revenue model would be beneficial for Bisnode, others were against it. The Director for Risk & Credit noted:

“Well imagine how easy it would be to consistently sell for 10% less than your competitors thus having a low cost strategy. However, it is much more difficult to sell based on higher quality and the achieved effects of it: higher profits, less risk. To have that discussion is much more difficult than competing on price, but more sustainable.”

Even though it might be easier to compete on price, it is not aligned with Bisnode’s strategy and therefore it is important to resist the temptation to bundle the products in the same way as a competitor which might start a price war or just lowering prices, even though it might seem like the easy way out. Hence, it is important to have a revenue model aligned with the strategic position of a company.

5.4.2 Strategic fit

It is important to analyze how well the revenue model can be executed in relation to the internal processes and prerequisites of a firm, which we have chosen to define as
the revenue model having a strategic fit. From our case study, it became clear that an important process that Bisnode must consider is the sales process, including processes and systems for commissions amongst the sales force. Today, the payments of commissions are based on a monthly target that the sellers have to reach in order to receive a commission. This encourages the sales people to sell packages of products where the customers pay up-front, since this will enable the seller to reach their budget that particular month. If Bisnode were to change their revenue model into selling for example flat-fee subscriptions, the way the commissions are constructed must be aligned with the new revenue model. Other examples of processes that affect the revenue model are financial processes such as billing. For instance, if a revenue model today is based on charging the customer for the number of transactions they make yearly, alterations have to be made in order to enable monthly billing. As a Sales Director for Large Accounts described:

“One of the difficulties of implementing a new revenue model is the commissions amongst the sales force. The process and system for commission must be altered in order to realize a new revenue model.”

It is significant to analyze what internal processes and resources that exist in the organization today and how they must be altered if a new revenue model is to be implemented. Some revenue models may be more adequate than others for the organization as some may be costly or require vast organizational changes in order to be realized.

5.5 Competition

The importance of scanning the competitive landscape and that competition has an impact on the revenue model was revealed during our case study at Bisnode. As the Director for Risk & Credit described:

“It is very important to have an understanding of the competitive environment. . . . We know that most customers compare suppliers and weigh the pros and cons between them. We have to understand our competitors [revenue models].”

New market entrants with innovative revenue models, existing players that alter their existing revenue models or firms that make other alterations in their business models can create market discontinuities, which might affect the viability of a revenue model. An example that emerged during the interviews was a flat-fee subscription service that was introduced by a low-cost player on the market for credit services, as previously mentioned. This created a market shift as some of the customers favored the subscription model over the transactional model that had previously been dominant on the market, which put competitive pressure on the other firms. Moreover, this caused a price erosion of credit reports as customers were not prepared to pay as much for a credit report as they formerly did. As the Sales Director for Major Accounts explained, customers juxtapose the market offerings of their current supplier with the ones of the competitors:
“Our customers bargain when it is time to renegotiate contracts. Of course they are interested in our competitors when they offer a contract for the same price as ours but where they get an unlimited amount of reports.”

The interviewees at Bisnode therefore stressed the importance of scrutinizing the existing revenue model on a regular basis to ensure that it is competitive in relation to the existing market conditions.

From our case study, we discovered that it can be advantageous to be innovative and differentiated in the choice of revenue model. The interviewees stressed the importance that Bisnode should have a revenue model that is different and/or innovative compared to the competitors as it will increase the unique value offered to the customer. As one of the Product Managers commented:

“Since all companies use the same revenue model we are directly compared to our competitors in every single deal. My idea was to use a different revenue model when we launched one of our new services. Therefore, we bundled products in an innovative fashion and now we are offering a customer value that is unique in the market.”

5.6 Macro environment

It is also important to analyze the revenue model with respect to the macro environment. Economical, social and technical factors were some of the macro factors that were discussed during our interviews at Bisnode and were identified as having an impact on the revenue model.

Social factors like buying behaviour affect the way individuals respond to different revenue models. For instance, since the introduction of flat-fee monthly subscription services provided by for example Spotify and Netflix, consumers have gotten used to paying a certain amount per month to get full access to a service. Individuals are more likely to sign up for subscription services than earlier and this behaviour is brought to the workplace. Even though Bisnode is active in the B2B-marketplace and do not sell directly to individuals, this kind of behavioural trend can be seen in businesses too, especially amongst smaller businesses that only have a few employees and a low turnover. Their behaviour can be compared to individuals and are likely to be affected by social trends in for example buying behaviour. Like the Director of Risk & Credit noted:

“Nowadays we are starting to change our consumption behavior. Everybody has a Spotify or a Netflix account. 10 years ago it would have been unreasonable to have expenditures like that. When your own consumption change, you bring that into your work life.”

Another example of change in social behavior is the way individuals think about buying products and services on credit. According to the interviewees at Bisnode, the willingness to pay for a product or service on credit is higher than it historically has been. This might have implications on the revenue model as it is easier to get compliance with revenue models that are based on paying after the purchase instead on paying up-front.
Economical factors also have an impact on the revenue model for firms active on the credit decision services market, such as Bisnode. During a period of economic prosperity, organizations are not affected by credit loss to the same extent as in economic recession since there are for example less companies that go bankrupt. On the contrary, when the economy is booming are customers more interested in finding new business opportunities and wish to accept as much credit as possible. Having a revenue model where customers are charged based on a percentage of the prevented credit loss is more lucrative in an economic downturn since there are more credit losses overall. In the same way, having a transactional revenue model in a period of economic prosperity can be favorable since there is more trade between companies and therefore more credit decisions taken. The macro economical perspective is therefore important when analyzing a revenue model.

The last external aspect that was raised during the interviews is the technological factor. The technological development, like the evolution of the Internet, has led to easy access to vast amounts of information and data, which has lead to price erosion of these kind of services. Financial information of companies and individuals is available online, which means that customers are not prepared to pay as much for such data as earlier. Bisnode and other firms that offer credit services must therefore process and classify the data in order to provide more value to the customers. Providing analytical services such as decision support is becoming more important as a result. On the other hand, the technological development has also lead to information overflow, which makes it hard for the customers to sort out what information is necessary to make a correct credit decision. Credit service companies can therefore focus on providing relevant data in a simple way to facilitate for the information processing of their customers. A Product Manager commented:

“Today, a lot of information is for free. It is up to us to make our customers pay for the information. At the same time, our customers suffer from information overflow — we help them to deal with that.”

Further, technological development and an increased information supply has made it easier for the customers to compare suppliers. It is easier than before to compare different services and prices because of information technology and the Internet. This indicates that it might be a competitive advantage to have a revenue model that is differentiated from the ones of the competitors to prevent customers to get a higher bargaining power.
6 | An integrative framework for revenue model analysis

The process of evaluating a revenue model of a company in the credit decision services market, see figure 6.1, has been developed by analysis of the literature and case study. The process is based on an integrative framework emerged from the empirical data presented in chapter 5 and the literature review from chapter 3. It consists of four parts: revenue model assessment decision, data collection, revenue model analysis and final decision. The data collection sub-process consists of gathering the information that is required in order to conduct the revenue model analysis. If a previously not implemented revenue model is to be assessed, a customer test is required in order to gather data. Moreover, the revenue model analysis is conducted by employing the framework presented in table 6.1, that consists of qualitative and quantitative dimensions that affect a revenue model and are to be evaluated. Lastly, a final decision has to be made regarding what revenue model to implement. The following sections will further present the different parts of the process.

6.1 Revenue model assessment framework

The revenue model should be continuously revised and revisited at market discontinuities in order to ensure its profitability and competitiveness. By using the framework presented in table 6.1, developed for companies in the credit decision services market, the analysis can be successfully realized. After deciding on utilizing the framework for revenue model assessment, that is step one in figure 6.1, the following three steps need to be pursued: data collection, revenue model analysis and final decision.

In order to get a comprehensive assessment of a revenue model, the analysis should be conducted based on gathered data as described in the following sections. However, if there is a need for a quick analysis, the framework can be used for independent pre-analysis of a revenue model. In this case, it can be used in a preliminary fashion in order to examine a revenue model’s feasibility and to decide if a more thorough analysis is worth conducting. When used in that respect, the analysis will depend on assumptions based on existing knowledge and information of the focal firm.
1. Revenue model assessment decision

2. Data collection
   - 2.1. Identifying revenue models
   - 2.2. Financial data
   - 2.3. Customer preference
   - 2.4. Strategy identification
   - 2.5. Competitor intelligence
   - 2.6. Macro environment analysis
   - 2.7. Customer tests

3. Revenue model analysis
   - 3.1. Framework analysis
     - 3.1.1. Revenue model
     - 3.1.2. Financial
     - 3.1.3. Customers
     - 3.1.4. Strategy
     - 3.1.5. Competition
     - 3.1.6. Macro environment

4. Final decision
   - 4.1. Make decision
   - 4.2. Design implementation plan

Figure 6.1: Revenue model analysis process
6.2 Data collection

For an accurate revenue model analysis, data has to be collected. The different dimensions included in the assessment require information regarding financial performance, customer preferences, strategic positioning, competition and the macro environment, corresponding to the dimensions rendered in chapter 5. All dimensions affect the success rate of a revenue model. The data collection consists of seven parts; identifying revenue models, collecting financial data, gathering data on customer preference, identifying strategy, gathering competitive intelligence, performing a macro environment analysis and testing of potential new revenue models.

6.2.1 Identifying revenue models

In order to evaluate revenue models, there has to be a collection of different models so that they can be assessed and later compared with each other. There are several different “sources” of revenue models that should be reviewed:

- First, the different revenue models currently in use within the industry should be mapped. They are probably relevant as the models are used by competitors. Therefore, it is important that these revenue models are mapped.

- Second, revenue models from other industries should be identified. One source of revenue model innovation is implementing revenue models from other industries. The revenue models should however be customized after the credit decision services industry. Being able to introduce an innovative revenue model on the market can be beneficial as it can create value by for instance having a new product bundling or offering new services (Amit & Zott, 2001).

- If there is an interest in gathering an exhaustive list of possible revenue models, literature and academia can be used as sources of implementable revenue models, as there might be some models that have not been identified from within the industry or from other industries.

The mapped revenue models are to be compiled into a short list consisting of revenue models that are possibly relevant to implement. If a quick-analysis of the different revenue models, as described in section 6.1, proves the revenue model not suitable for the company, the model can be discarded.

6.2.2 Financial data

In order to assess a revenue model, the financial aspect has to be considered. For models that are already in use, financial data can usually be gathered from historical data. If the revenue model has not yet been in use, a test can be conducted on a smaller customer segment to juxtapose financial data and compare models (more on the test in section 6.2.7).

Financial data available within the company can often be gathered from the accounting department. The data that needs to be gathered is profitability, i.e. the costs and revenues that emerge from a revenue model, the cash flow generated from the revenue model (Afuah & Tucci, 2000) and the churn level. Moreover, the profitability of the
various customer demands needs to be analyzed in order to interpret the scalability of a revenue model.

### 6.2.3 Customer preference

As one important part of developing a revenue model is designing the offering, it is important to know how products or functions are valued by the customer as stated by Anderson and Narus (1998). Further, it is also important to know what kind of revenue model the customers prefer, thus making it vital to gather information on customer preference. Usually sellers know what customers cherish and can point in the right direction. However, it is important to know that ultimately only the customers themselves can accurately present their preferences (Anderson & Narus, 1998; Porter, 1985). Therefore, a customer survey or a customer focus group can help a company to develop a revenue model.

A customer survey can give insights on customer preference regarding for instance revenue models, payment setup and furthermore their perceived value of products and services. It is important to know what customers value and thus are willing to pay more for.

Through a customer focus group, more in-depth information can be gathered. By asking customers what they value, a company can learn if they should price differentiate on for instance function or usage. It is important to know what customers want to pay for in order for a company to charge for that product.

### 6.2.4 Strategy identification

As the revenue model will be assessed based on its relevance for the business, the strategy needs to be identified. By using Porter’s generic competitive strategies (Porter, 1980) as described on page 22, the strategy can be identified and possibly simplified thus facilitating assessment of a strategy’s linkage to the revenue model.

Additionally, the processes supporting the strategy execution and the company’s performance goals e.g. sales processes, commission system and customer services, should be mapped. These processes enables strategy execution and should therefore be identified in order understand what changes that are required if a new revenue model should be of relevance. The information regarding process limitations can be identified through discussions with different departments on their constraints.

### 6.2.5 Competitor intelligence

Gathering information about competitors is key in determining what revenue model is best suited for the focal company. One of the most important criteria for a revenue model is competitiveness. In order to evaluate this, the revenue model needs to be compared to the model of competitors.

The information about competitors can often be gathered from the analytics department of a company but also directly from sellers. Sellers often know what customers say about the offering of competitors and are therefore an excellent source of competitive intelligence. The analytics department and sellers are often aware of direct competitors. However, it requires a deeper analysis to identify firms having the same capabilities, that
Figure 6.2: Competitor identification in the credit decision services market

is indirect competitors. To establish a truthful view of the competitive environment, both direct and indirect competitors need to be mapped.

In Figure 6.2 the different categories of competitors in the credit decision services market have been identified and implemented in the framework developed by Peteraf and Bergen (2003). By using the framework, the different competitors in the credit decision services market can be identified and their revenue models can be mapped in order to later on be juxtaposed to determine their competitiveness. In quadrant I, the companies similar to the focal company can be found. These are companies delivering all sorts of data and analytical services and have similar sell and analytical capabilities. Quadrant II consists of companies not currently meeting the credit decision services market demand. However, these companies have the capability to do so, thus rendering them as indirect competitors. Quadrant II usually consists of companies having the capability to gather financial data or are currently gathering financial data. Quadrant III consists of firms not meeting the same demand and not having similar sell and analytical capabilities, that is other data gathering companies. These companies are not direct competitors today, nevertheless they might become competitors in the future. Lastly, in quadrant IV, the competitors that carry dissimilar sell and analytical capabilities but meet the same market demand can be found. These firms are financial data information providers, that do not provide the customer with a credit decision, only e.g. balance sheets.

By identifying the competitors, both direct and indirect, and mapping their revenue models, the competitive analysis of a possible revenue model will be facilitated as the different offerings can be compared. Also, the customer preference of payment setup can be related to the various revenue models available in order for the competitiveness to be determined.

6.2.6 Macro environment analysis

There are macro trends affecting the customer behavior and market environment, thus making it important to map these trends. Also, certain regulations might affect what revenue models that are possible to implement. When conducting a PESTLE-analysis i.e. identifying key trends that are affecting the environment surrounding the market and the
implications of the trends, macro environmental trends that indirectly or directly impact the company can be identified. By taking these trends into account when analyzing a revenue model, the assessment will become more sustainable and thorough. In order to perform a macro environment analysis, see work process suggested by Bensoussan and Fleisher (2012) in the PESTLE-literature section.

6.2.7 Testing of potential new revenue models

When assessing revenue models, some models might lack financial data as they have not previously been implemented in the company. Hence, financial data needs to be gathered. However, gathering financial data will only be relevant if the preliminary revenue model analysis proves the intended revenue model a good candidate for implementation. The financial data can be gathered by testing the revenue model on a small group of customers. This will allow the hypotheses made on costs and customer demand to be verified, which is an important step in analyzing a revenue model.

6.3 Revenue model analysis

After collecting the data, the revenue models should be analyzed and compared in the framework that is presented in table 6.1. The framework consists of six dimensions; revenue model description, financial, customers, strategy, competition and macro environment. The dimensions are sorted according to importance, financial being the most important dimension. Each dimension has themes and questions that analyze advantages and disadvantages of different revenue models. In the following sections, each dimension with associated questions will be further described.

6.3.1 Revenue model

The first section of the framework describes the revenue model subject for analysis.

- **Payment setup:** First, the payment setup is to be defined. This factor describes when the customer pays for the product, for example in advance or after the purchase, and if the payments are recurring, e.g. if it is a subscription service or if the customers pay through an installment plan.

- **Market offering:** Secondly, the offering should be described. What and how much of the offering the customer receives should also be defined. For example, the customer may get unlimited use of a service, or may have to pay based on consumption.

- **Segment:** Lastly, the target segment is to be decided. A firm can for example have one single revenue model for all segments, or different revenue models for different customer segments. This row will explain what segment the revenue model is aimed for.
6.3.2 Financial

The financial section considers the financial feasibility of the revenue model. There are four financial measurement that should be analyzed: (1) profitability, (2) scalability, (3) cash flow and (4) churn.

- **Profitability**: As having a profitable revenue model is essential, the profitability should be thoroughly investigated based on data described in previous sections. The profitability of a revenue model should be studied by reviewing the costs, both variable and fixed, as well as the earnings associated with each revenue model.

- **Scalability**: It is necessary to investigate whether the revenue model is scalable. For instance, if the revenue generation is based on usage and the customer consumes more, the revenue model should render more revenues. In this example, having a flat-fee subscription service where the fee is the same for each customer is not a scalable revenue model, as there is no revenue increase from the customer when consumption rises. The scalability parameter should describe how the revenue model will meet different demands in various customer segments from a financial point-of-view, and how the revenues from each customer can increase.

- **Cash flow**: Examining how the revenue model will affect a firm’s cash flow is of relevance for firms offering credit decision services. Deploying a revenue model that produces a positive cash flow is considered favorable. Also, some revenue models can better predict future revenue streams, such as pre-paid or subscription models, thus allowing the firm to better forecast future sales.

- **Churn**: In what way the revenue model contributes to customer retention should also be analyzed. For example, practising a revenue model that enables users to test a product and get familiar with a certain interface can create a lock-in effect as it increases the customer’s switching costs (Smith et al., 2000). Moreover, some revenue models may have a more positive impact on customer churn than others. For example, having a subscription service could lower churn as content customers will not have to actively renew their contracts.

The financial questions should preferably be answered both qualitatively and quantitatively based on the collected data described above. Questions such as how the revenue model affect churn or cash flow could be analyzed qualitatively based on knowledge and information that the firm have internally. For example, sales personnel might have knowledge of how different revenue models affect customer churn from having discussions with customers.

6.3.3 Customers

The customer dimension investigates how well the revenue model is aligned with customer preference and how easy the revenue model is to communicate.

- **Customer preference**: Customer preference is one of the most important aspects to consider as deploying a revenue model that customers favor is vital in order for it to be successful. Having a revenue model that customers do not prefer may make
them want to change provider or make them more reluctant to the firm, which may lower brand loyalty or the perceived value of the service. It is also important to investigate how the revenue model meets the varying demand within the segment that is being analyzed.

- **Easy to communicate**: How easily the revenue model is explained should also be investigated. The revenue model should increase the customer transaction efficiency and it should be clear to the customers what they are paying for. Using a revenue model that is easy to explain is especially important for smaller customers. Larger customers often have a long and complicated buying process, and these customers often have higher demands on the choice of revenue model as they have the time and incentives to thoroughly scrutinize it.

For instance, by having a revenue model that is tightly linked to the value proposition, it is easier to motivate and communicate the revenue model to the customers as a revenue model can itself strengthen and clarify the value proposition. For Bisnode, a revenue model that would be easy to communicate to the customers would be a model charging the customer a percentage of their prevented credit loss as it would enhance the fact that the customer is buying credit safety, not only credit reports.

### 6.3.4 Strategy

The strategy section analyzes how well the revenue model matches the firm’s strategy along with the revenue model’s strategic fit.

- **Strategy**: A revenue model should match the company’s strategy as the revenue model is an important strategic lever. The value that a company offers is based on the strategic position and through having a revenue model that matches the strategic position of a company, the offered value can be enhanced. For example, if a firm competes on quality, this should be mirrored in the market offering as well as in the payment setup.

- **Strategic fit**: The strategic fit should also be studied, which investigates what organizational changes that are needed in order to successfully realize a revenue model. Changes in processes such as billing or sales processes might be needed in order to execute a revenue model, which must be considered when investigating the feasibility of it.

### 6.3.5 Competition

The competition section of the framework answers how well the revenue model will stand against the competition on the market.

- **Competitiveness**: First, it is important to define the unique selling points (USPs) of the revenue model, thus investigating how innovative or differentiated the revenue model is. Whether the revenue model is preferred over the competitors’ revenue models should be evaluated based on these USPs. Investigating how well the revenue model can be compared to the ones of the competitors is also of importance,
since an innovative or differentiated revenue model can deliver a unique customer value, which can be more competitive.

6.3.6 Macro environment

Lastly, the macro environment and how it affects the revenue model is considered.

- Macro environment: The macro environmental forces can affect the revenue model in various ways. For instance, social trends may affect how well a revenue model is received by the customers, due to for example preferences in payment setup.

6.4 Final decision

The last step in the revenue model analysis process is making the decision of what revenue model to continue with or implement. If there is a wish to change revenue models, an implementation plan should be designed.

6.4.1 Make decision

After gathering results from the revenue model analysis and comparing the different models, the revenue model that is best suited from a profitable and competitive standpoint should be chosen. Financial results are an important factor, but it is not only about financial results short term. The revenue model should be sustainable during a longer period of time, thus all of the factors have to be considered in the decision.

Also, in some cases, more than one revenue model e.g. having a subscription but also selling each product for a certain sum — having both a subscription and transactional revenue models, can be appropriate.

6.4.2 Design implementation plan

After a decision on what revenue model to continue with has been made and if the revenue model is new to the organization, an implementation plan has to be designed. A new revenue model might require organizational changes, system development or process changes. The revenue model analysis has shed light on some of the biggest challenges such as internal processes, systems and organizational setups. Nonetheless, in order to succeed with the change, the alterations must be planned in advance for a successful execution.

The cornerstone of the change is communication, both externally and internally. The change in revenue model has to be clearly communicated and motivated by the company in order to succeed internally and externally. Also, internal performance measurements should be aligned with the desired outcome to help fulfill the revenue model execution (Kaplan & Norton, 1996). The internal measurements can communicate what decisions that are encouraged and will aid the employees in realizing their effect on company performance.
6.5 Framework implementation example: Subscription

To exemplify the applicability of the framework, an implementation of the framework is presented in table 6.2. The key questions have been answered for a monthly subscription revenue model with a market offering consisting of an upper limit of credit reports and monitoring objects per month. The revenue model is differentiated so that there are different packages with different upper limits of number of credit reports and monitoring objects per month. The upper limits are to be decided through evaluation of historical data, thus making this implementation preliminary. However, as soon as the package designs are set, the revenue model should once again be analyzed based on these numbers in order to get an accurate perception of the revenue model. Package subscription is a revenue model that Bisnode has debated internally and all of the key questions will be answered from the perspective of Bisnode Sweden. Customer preference and competitor intelligence dimensions are analyzed based on information collected in interviews with employees at Bisnode, however more data collection should be pursued in order to accurately assess the two dimensions.
<table>
<thead>
<tr>
<th><strong>Dimension</strong></th>
<th><strong>Theme</strong></th>
<th><strong>Key question</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue model</td>
<td>Payment setup</td>
<td>How are the payments structured?</td>
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<tr>
<td></td>
<td>Market offering</td>
<td>What does the offering consist of?</td>
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<tr>
<td></td>
<td>Segment</td>
<td>Which customer segments will the revenue model be offered to?</td>
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<tr>
<td>Financial</td>
<td>Profitability</td>
<td>What revenues are generated from the revenue model?</td>
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<td></td>
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<td>What variable costs will emerge from the revenue model?</td>
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<td></td>
<td>What investments are required in order for the revenue model to be implemented?</td>
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<td></td>
<td>Scalability</td>
<td>How will the revenue model profitably meet the demand of different customer</td>
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<td></td>
<td></td>
<td>segments?</td>
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<td></td>
<td>Does the revenue model allow for up-sell and/or cross sell?</td>
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<td></td>
<td>Cash flow</td>
<td>How will the revenue model affect the cash flow of the company?</td>
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<td></td>
<td>Churn</td>
<td>How will the revenue model affect churn?</td>
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<tr>
<td>Customers</td>
<td>Customer</td>
<td>How well does the revenue model match the customer preference when it comes to</td>
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<tr>
<td></td>
<td>preference</td>
<td>payment method and offering?</td>
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<td>How does the revenue model suit the different preferences and demands of the</td>
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<tr>
<td></td>
<td></td>
<td>chosen customer segment(s)?</td>
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<tr>
<td></td>
<td>Easy to</td>
<td>How easy is the revenue model to communicate to the customer?</td>
</tr>
<tr>
<td></td>
<td>communicate</td>
<td></td>
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<tr>
<td>Strategy</td>
<td>Strategy</td>
<td>How well does the revenue model support the strategic positioning?</td>
</tr>
<tr>
<td></td>
<td>alignment</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Strategic fit</td>
<td>What organizational changes will be required in order to implement the revenue</td>
</tr>
<tr>
<td></td>
<td></td>
<td>model?</td>
</tr>
<tr>
<td>Competition</td>
<td>Competitiveness</td>
<td>What are the unique selling points of the revenue model?</td>
</tr>
<tr>
<td></td>
<td></td>
<td>How easily can the offering be compared to the offering of competitors?</td>
</tr>
<tr>
<td>Macro</td>
<td>Macro environment</td>
<td>Are there any macro environment trends or implications affecting the choice/</td>
</tr>
<tr>
<td>environment</td>
<td></td>
<td>adoption of revenue model?</td>
</tr>
</tbody>
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Table 6.1: Framework for revenue model analysis
<table>
<thead>
<tr>
<th>Dimension</th>
<th>Theme</th>
<th>Key question</th>
<th>Credit report and monitoring monthly subscription</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue model</td>
<td>Payment setup</td>
<td>How are the payments structured?</td>
<td>Monthly payment</td>
</tr>
<tr>
<td></td>
<td>Market offering</td>
<td>What does the offering consist of?</td>
<td>An in advanced agreed upper limit of credit reports and monitoring objects, no differentiation on functionality</td>
</tr>
<tr>
<td></td>
<td>Segment</td>
<td>Which customer segments will the revenue model be offered to?</td>
<td>Small and medium businesses (SMB)</td>
</tr>
<tr>
<td>Financial</td>
<td>Profitability</td>
<td>What revenues are generated from the revenue model?</td>
<td>Monthly payments for subscription of credit reports and monitoring, add-on services possible</td>
</tr>
<tr>
<td></td>
<td></td>
<td>What variable costs will emerge from the revenue model?</td>
<td>Administration costs in the form of invoice generation each month, higher costs associated with each sell</td>
</tr>
<tr>
<td></td>
<td></td>
<td>What investments are required in order for the revenue model to be implemented?</td>
<td>System alterations, marketing material</td>
</tr>
<tr>
<td></td>
<td>Scalability</td>
<td>How will the revenue model profitably meet the demand of different customer segments?</td>
<td>By having an offering differentiated on number of reports+monitoring used, the different customer segment demands are met. However, as some customers want more functionality and the offering is not adjusted to that demand, it might not optimally capture the value on the market When customers use more, they need to move to a bigger package that will cost them more</td>
</tr>
<tr>
<td></td>
<td>Cash flow</td>
<td>How will the revenue model affect the cash flow of the company?</td>
<td>As the payments are received each month, the company will be able to easier predict its liquidity</td>
</tr>
<tr>
<td></td>
<td>Churn</td>
<td>How will the revenue model affect churn?</td>
<td>As subscriptions are recurring and a smaller sum is paid each month, churn is most likely to decrease</td>
</tr>
<tr>
<td>Customers</td>
<td>Customer preference</td>
<td>How well does the revenue model match the customer preference when it comes to payment method and offering?</td>
<td>Smaller cost upfront, presumably preferred by customers As some segments need specific data for that industry, the market offering is not adapted to meet all different demands, however this is a smaller segment within SMB</td>
</tr>
<tr>
<td></td>
<td></td>
<td>How does the revenue model suit the different preferences and demands of the chosen customer segment(s)?</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Easy to communicate</td>
<td>How easy is the revenue model to communicate to the customer?</td>
<td>It is easy to communicate since a lot of services in the society are subscriptions and the market offering is easy to communicate as the value offered to the customer is clear</td>
</tr>
<tr>
<td>Strategy</td>
<td>Strategy alignment</td>
<td>How well does the revenue model support the strategic positioning?</td>
<td>As Bisnode wants to be a differentiated player, having a subscription with included customer service adds extra value, thus supporting the strategy</td>
</tr>
<tr>
<td></td>
<td>Strategic fit</td>
<td>What organizational changes will be required in order to implement the revenue model?</td>
<td>The commission process and sales process will have to be revised</td>
</tr>
<tr>
<td>Competition</td>
<td>Competitiveness</td>
<td>What are the unique selling points of the revenue model?</td>
<td>The quality of the rating is a USP</td>
</tr>
<tr>
<td></td>
<td></td>
<td>How easily can the offering be compared to the offering of competitors?</td>
<td>As there are other competitors offering the same revenue model, it is easily compared</td>
</tr>
<tr>
<td>Macro environment</td>
<td>Macro environment</td>
<td>Are there any macro environment trends or implications affecting the choice/adoptation of revenue model?</td>
<td>Subscription trend in consumer goods and services, for instance Netflix, has changed customers’ payment setup preference</td>
</tr>
</tbody>
</table>

Table 6.2: Example of an implementation of the analysis framework on a subscription revenue model for Bisnode
7 | Discussion

This research has bridged the gap of revenue model analysis in the credit decision services market by answering the main research question and the two subordinate research questions. Three theoretical implications have been identified: (1) standalone analysis of the business model sub-component revenue model, (2) integration of different research streams from strategic management and value proposition literature into a revenue model framework and (3) research of revenue model in the credit decision services industry. The managerial implications are the structure and thoroughness the revenue model analysis framework brings to the discussions and decisions that are made regarding the revenue model. Also, the framework contributes to economic sustainability. Future research is suggested in the form of conducting more extensive research by reviewing more cases and taking pricing and contract agreements into account. The following sections include conclusions that can be drawn from this study.

7.1 Fulfilling of the research purpose

The purpose of this thesis was to expand the existing knowledge on revenue model analysis by investigating how companies offering credit decision services can analyze their revenue model to ensure its competitiveness and profitability. To fulfill the purpose, a main research question was formulated:

*Main research question:* How can a firm offering credit decision services analyze its revenue model?

In order to answer the main research question, we needed to investigate what is needed of a revenue model analysis framework for firms that offer credit decision services. To answer this, we conducted a case study at Bisnode to identify aspects that should be considered in revenue model analysis. An extensive literature review helped us build a theoretic foundation and formulate relevant questions for the interviews. The identified aspects allowed us to answer the first subordinate research question:

*Research question 1:* What aspects should be taken into consideration when analyzing a revenue model for a firm that offers credit decision services?

The findings were linked to existing literature in order to create a theoretically grounded framework that allows for revenue model analysis. The identified aspects were categorized in five dimensions: (1) financial, (2) customers, (3) strategy, (4) competition,
and (5) macro environment. The result is a comprehensive framework that analyzes a revenue model from multiple point-of-views. To facilitate revenue model analysis for firms in the credit decision services market, we also formulated questions related to each identified aspect. The identified aspects are presented in the revenue model analysis framework, which is listed in table 6.1.

Furthermore, we needed to study the work process of revenue model analysis. By combining the findings from the case study with the existing body of literature, a work process for revenue model analysis was presented. The process consist of four stages: (1) revenue model assessment decision, (2) data collection, (3) revenue model analysis and (4) final decision. An overview of the procedure is given in figure 6.1. The developed process answers the second subordinate research question:

Research question 2: How should a revenue model analysis work process be designed for a firm that offers credit decision services?

The suggested work process provides a thorough analysis that ensures the profitability and competitiveness of a revenue model. The results from the two sub-questions, the proposed revenue model analysis framework and the integrative work process for revenue model analysis, answer the main research question, which fulfills the purpose of the research.

7.2 Implications

During the research process, it became evident that the revenue model has not previously been exhaustively researched, and that there was a demand for a structured revenue model analysis work process from the focal firm. Thus, both theoretical, managerial and sustainability implications have derived from this study.

7.2.1 Theoretical implications

A research gap was identified as previous research has mainly focused on the business model as a whole, but not on the sub-component revenue model. The literature includes research on business model (Afuah, 2004; Dubosson-Torbay et al., 2002; Johnson et al., 2008; Morris et al., 2005; Shafer et al., 2005; Wirtz et al., 2016) and revenue models in various industries (Lehmann & Buxmann, 2009; Markscheffel & Fischer, 2007; Ojala, 2013). This has motivated our research and consequently we have singled out three theoretical implications.

Firstly, earlier research has primarily consisted of analysis of the entire business model, including all different components. This research is an attempt to investigate only the sub-component revenue model, and creates a basis for further investigation of the revenue model as an independent research topic.

Secondly, since a process for revenue model analysis has not previously been developed, this research had its starting point in assorted strategic management research streams such as: strategic fit, environmental analysis, financial performance. Furthermore, research on value proposition was included in the theoretical base. In this thesis, the different streams have been integrated into one framework in a unique fashion.
Lastly, the credit decisions services industry has not, to our knowledge, been previously researched from a revenue model perspective hence the novelty of this research. The thesis has the possibility to serve as a base for further research in the credit decision services market. The focal market is undergoing changes due to macro trends and a decreasing willingness to pay, thus making it interesting for further research.

7.2.2 Managerial implications

The proposed framework for revenue model analysis can be used by managers at companies situated in the same industry as the focal firm of this case study. The analysis process will provide a structure for recurring analysis of the revenue model but also, as suggested, facilitate analysis when market discontinuities occur. As market shifts call for analysis of a revenue model in order to competitively respond to the changes, the suggested work process will aid in the endeavor.

Furthermore, the proposed analysis framework will support innovation in revenue models as it includes analyzing various revenue models and evaluating them from the company’s perspective. As the analysis process includes gathering models from other industries, it enables implementation of models that are new to the industry and would otherwise not have been considered. To concur with Schumpeter (1934), innovation in products and services or distribution methods can create value and we believe that the framework enables innovation and value creation through revenue models.

Moreover, as the revenue model analysis framework consists of several dimensions and themes, managers can use the framework as a tool for communication. The different dimensions and themes are structured in a fashion that makes it clear what effects a certain revenue model have on a firm. Hence, the analysis framework makes it easier to explain for employees why a change of revenue model is needed, and what effects such a change would have on the organization. In the same way that Kaplan and Norton (1996) argue that a balanced scorecard is a tool for communicating a firm’s strategic vision, we argue that the framework can communicate and explain a firm’s choice of revenue model and its effects of the overall performance of a business.

7.2.3 Sustainability implications

Economic sustainability is related to long-term competitiveness and profitability of a firm. The aim of this thesis was to provide a revenue model analysis framework that ensures long-term competitiveness and profitability, hence a framework that ensures economic sustainability. Since macro-environmental forces and market conditions are studied in the revenue model analysis framework, the external fit of a revenue model is scrutinized. Having an external fit assures long-term sustainability of a revenue model, as the revenue model is aligned with the external environment and the changes in it. Furthermore, the revenue model analysis framework assesses a revenue model’s strategic fit and ensures that the revenue model is aligned with the company’s long-term goals. Since the revenue model analysis framework should be used for continuous business model assessment, the focal firm can be confident that the deployed revenue model is optimal from a long-term perspective.
7.3 Limitations and future research

Our definition of a revenue model consists of payment setup and market offering. Pricing and payment agreements have consequently been left outside the scope. However, those two factors are interconnected with the revenue model. For instance, if a professional services firm wants to pursue value-based pricing by charging the customer company a percentage of the contributed value, the pricing perspective becomes a crucial part of the revenue model. Furthermore, contract agreements such as length of agreement and period of notice are important variables in designing an attractive offering. Yet, these factors have been left out of the scope of this thesis. Pricing can usually be considered a separate matter and is normally not a restriction when it comes to developing and choosing a revenue model. Moreover, payment agreements can be viewed as a marketing tool not dependent of the revenue model as they can be designed after the revenue model has been developed. Researching the revenue model in combination with the payment agreements and pricing would give a holistic perspective as these factors are interrelated with the success of a market offering.

Furthermore, due to limitation in time, the case study only entailed one case, Bisnode Risk & Credit Sweden. If the case study were to be complemented with market experts, topic experts or more cases, the findings would be more general. Moreover, the case study was limited to the Swedish business unit. The generalizability would be higher if more business units were to be studied. As most players within the credit decision services market are domestic players it suggests that there are local market variations, thus making it relevant to take the differences into account in future research.

In addition, as Bisnode Sweden was the only case being studied, the findings are limited by the knowledge and maturity of their revenue model processes. As Bisnode is an international company unlike a lot of the other incumbents, the generalizability to smaller niche players might be negatively afflicted. Nevertheless, the framework and work process are based on a foundation of literature consisting of generic strategic management literature contributing to the generalizability of the findings. Even though the framework is aimed for firms active on all credit decision markets, the case study focused on the Swedish market. This research opens up for more extensive revenue model analysis research conducted both internationally and domestically. We realized that financial aspects were the most important ones in the Swedish market as the case company are striving towards increasing profitability, however this might not be the case in other markets thus suggesting higher importance of other factors. By studying companies active in other countries, the varying importance of different aspects in the framework can further explored. Finally, we believe that the developed framework can be feasible for companies in other industries than credit decision services, however this is to be researched in future studies.

The outcome of this research is a revenue model analysis framework for firms in the credit decision services industry. It has opened up for further research to develop a deeper understanding of the revenue model and the impact it has on company performance.
A  | Interview questions

During the case study, 16 interviews were held with interview objects from three different departments: sales, business development and product department. The interviews that were held were both unstructured and semi-structured. The interview questions that were posed were open-ended. For examples of semi-structured questions that were posed, see below.

Revenue model

- What aspects should be considered in revenue model analysis?
- What revenue model does Bisnode have today and what are the pros and cons of that revenue model?
- What is the definition of a ‘good’ revenue model?
- How would you go about analyzing a revenue model to determine how ‘good’ it is?
- How big of an impact does the payment timing have on Bisnode’s overall performance?
- How big of an impact does the offering have on Bisnode’s overall performance?
- What pitfalls are there when analyzing a revenue model?

Revenue model work process

- How important is it to reassess a revenue model?
- When should revenue model analysis be conducted?
- How do you work with revenue model analysis?
- What are common pitfalls when developing a new revenue model?
- What is the process of implementing a new revenue model?
Bibliography


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