
Main Business Models of Startups

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Abstract: The article is devoted to the main business models of startups, the meaning and role of business models in the business life of companies is given. This article uses the term “business model” broadly to describe key aspects of a business, including its purpose.

Key words: startup, business, business model, product type, strategy, infrastructure, sales methods, income.

One of the reasons many startups fail is because they choose an unviable business model.

A business model is a simplified view of a business, how it generates revenue, and how it creates benefits for users. A business model describes how an organization creates, delivers, and captures value for customers. The term "business model" is used broadly to describe key aspects of a business, including its purpose, product type, strategy, infrastructure, organizational structure, sales methods and operational processes.

A company's business model is the method a company uses to create a valuable product and make a profit.

Monetization is one of the components of the business model “How will the project make money?” - answers a simple question. If your project doesn't make money, it can't be called a startup.

The idea of replacing a business plan with a business model was proposed by Alexander Osterwalder. His method is used by startups and the world's largest companies, such as Google, IBM, Ericsson. The author has proposed a simple and clear way to clearly demonstrate the main elements that reveal the main ways to make a profit. A business model is more important than a company's mission, strategy, and cash flow plan. This is the basis of your competitive advantage.

The business model structure consists of three parts:

1. What is needed to start a business: design, raw materials, production, labor, etc.
2. Everything you need to sell a product: marketing, service, advertising, sales.
3. How and for what the client pays: pricing strategy, payment methods, payment terms, etc.

Obviously, a business model is simply a study of what costs and expenses you have and how much you can charge for a product or service.

The essence of an effective business model is to get more money from customers than it takes to produce the product.

Different business models can improve any of these three components. You can minimize costs during the design and production stages.

There are 5 best business models for startups:

Model 1: Advertising. It refers to the display of advertising on a website or program in various forms, such as banners, text, contextual, video and audio advertising. You can make money both by displaying ads (paying the advertiser) and by refusing them (paying users for the “opt-out” feature). Almost all electronic media use this business model.

Model 2: Trade. This model is based on the sale of products or services. Examples of this include eBay, Amazon, Arba.uz and others. Today, new freemium models are becoming relevant (this is an offer to use a software product or service for free; extended, improved product functions are provided for an additional fee). Examples of successful freemium models are Skype, Evernote, Dropbox, Google Drive, Yandex.Disk.

Model 3: Subscription. In this model, subscribers are charged a subscription fee to use a product, service, or unique content. Examples include subscriptions to Microsoft Office suites, Player.uz content, and New York Times articles.

Model 4: Transaction. In this model, monetization is based on commissions from monetary transactions between trading participants. Examples include PayPal, an electronic money operator, stores selling other people's goods - aggregators and other financial services (Yandex.Market, eBay).

Model 5: Licensing. This is a business model based on the sale and use of software, in which the supplier develops and manages the web application itself, allowing the client to use the software over the Internet. 1C and Photoshop are an example of such a business model.

The business model depends on how your product generates revenue. Without a clear understanding of this, it is unlikely to be possible.

Business models: by type of client – classic business models.

The business model is directly related to who the customer will be. Let's look at the types of clients and businesses based on this foundation.

1. **B2B (Business to Business)** - a model that assumes that both the Seller and the Buyer are legal entities or individual entrepreneurs. Simply put, companies in this case work for these companies, and not for the average consumer.

Classic examples of the B2B model in the IT industry are enterprise software developers, web design studios and outsourcing companies.

A successful example of the B2B model in practice is the German company SAP SE, which produces software for organizations. Engaged in the development of automated systems for managing internal processes of an enterprise; services are adapted to the legal areas of different countries. In addition to software, the company provides implementation services using its own methodology. The company's products include SAP Ariba Discovery, an open platform for finding suppliers and buyers; Qualtrics Remote Work Pulse is a product that helps organizations understand how their employees work and what remote work support they need. Suum from SAP is a project management, collaboration and process optimization tool. The company has 200 thousand clients, most of them are medium and large enterprises.

2. **B2C (Business to Customer)** is a type of business that specializes in sales to individuals.

Examples of this model in IT are online stores where people buy goods for personal use, mobile applications and games, as well as special services.

For example, the SeedSheet project (USA) has developed software that allows any user to design the garden of their dreams and plant plants that will definitely grow and bear fruit well in the customer's climate zone. The service analyzes geolocation, selects and offers a list of crops, which the client can then order by mail along with the necessary equipment and even soil.

The Zen-money application (Russia) analyzes the user's budget and helps him save, save money for expensive purchases, and optimize spending.

3. B2G (Business to Government) is a model focused on delivering goods, services and business solutions to the government.

The model includes a complex multi-level decision-making system, tender procurement, complex financial conditions and material procurement schemes, and the great influence of administrative resources.

In practice, this model may be associated with government contracts for the supply of goods/services (government procurement), equipment leasing, public-private partnerships, and if it is an IT company, then, as a rule, this is the development of services for a government customer to automate work in various fields.

For example, IBA Group has developed a number of solutions for the transport sector of Belarus, including contactless payment for metro cards using bank cards, electronic punches in ground public transport in Minsk, electronic displays at stations, self-service at metro stations. terminals for filling out an electronic travel document. using a bank card.

4. C2C (Consumer to Consumer) or P2P (Person to Person) - a model that assumes equality of participants. It is usually an interaction between people for the purpose of saving, profit, communication and association. This model is also called the “total economy” - when costs are cut in half.

A distinctive feature of this model is the participation of a “third” party. This is the owner of the site where people communicate/post their products and services.

5. C2B. With the advent of the Internet, the problem of piracy has arisen: people can watch a movie, download a music album or a book online. On the other hand, user awareness is growing every year - the C2B (Consumer to Business) model has emerged, which has disrupted the usual methods of product promotion. Its essence is that users are willing to pay for content, although it is important for them to evaluate it themselves. The user creates value, and the business absorbs it.

Closely related to this model is custom development: when you study your customer, their unmet needs, you learn to think in terms of user experience, and only then develop the product with this in mind.

One example of a C2B company is Priceline.com (USA). Buyers determine the price of the product they need, and then the company finds a supplier willing to sell the product at the proposed price. Thus, Priceline.com acts as an intermediary.

6. C2G and G2C. C2G (Consumer to Government) is a model designed to convey the demands of civil society to the government, provide people with a means to familiarize themselves with government documents, as well as the opportunity to contact government officials.

On the other hand, thanks to the G2C (Government to Consumer) model, the government can inform citizens about fines, administrative offenses and changes in legislation.

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