

What is a Business Model?

Worksheet

A business model is the plan a company follows to generate revenue and profit, defining its target customers, value proposition, revenue streams, and cost structure.

Questions

1. Which business model earns revenue through recurring periodic payments?
 - A) Marketplace
 - B) Subscription
 - C) Franchise
 - D) Freemium
2. A marketplace business primarily earns money by
 - A) Manufacturing its own products
 - B) Charging a commission on transactions between buyers and sellers
 - C) Selling advertising space only
 - D) Charging a flat annual license fee
3. In the freemium model, revenue mainly comes from
 - A) All users paying equally
 - B) A small share of users upgrading to paid features
 - C) Government subsidies
 - D) One-time product sales only
4. Why might a company choose a subscription model over one-time sales?
 - A) It guarantees zero customer churn
 - B) It creates predictable, recurring revenue
 - C) It requires no marketing
 - D) It eliminates the need for a value proposition
5. A company charges users \$9.99 every month for streaming access. Which business model is this?
6. A platform lets independent sellers list handmade goods and takes a 5% cut of every sale. Which model is this?
7. An app is free to download but charges for premium features like ad removal. What model is this?
8. Define: What is a business model?
9. Define: What defines the subscription model?
10. Define: What defines the marketplace model?

Answer Key

1. B) Subscription - The subscription model charges customers repeatedly (e.g., monthly) for continued access.
2. B) Charging a commission on transactions between buyers and sellers - Marketplaces like Airbnb or Etsy connect two sides and take a cut of each transaction.
3. B) A small share of users upgrading to paid features - Freemium relies on converting a fraction of free users into paying customers.
4. B) It creates predictable, recurring revenue - Recurring billing gives businesses more predictable cash flow than one-off purchases.
5. Recurring, fixed payments at regular intervals define the subscription model. Revenue is predictable and tied to retaining paying members over time. This is the model used by Netflix, Spotify, and similar services.
6. The platform doesn't own the inventory - it connects buyers and sellers. It earns a commission per transaction, which is the marketplace model. Growth depends on network effects: more sellers attract more buyers, and vice versa.
7. Offering a free basic version while charging for extras is the freemium model. Revenue comes from a small percentage of users who upgrade ('conversion rate'). This model relies on a large free user base to make premium sales viable.
8. The plan for how a company creates, delivers, and captures value to generate revenue and profit.
9. Customers pay recurring fees (e.g., monthly) for ongoing access to a product or service.
10. A platform connects buyers and sellers and earns a commission on transactions, without owning inventory.

Bounlu

All cards, step-by-step solutions and an AI tutor are in the Notek app.
Promy turns exam dates into automatic reminders.