



Business Models in the Software Industry

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Agenda

- About SAP
- A simple model for business models
- Business models in the software industry
 - Usual and unusual
 - Disruptive business models
- Business Models of large software companies
- Summary



47,598 SAP EMPLOYEES
WORLDWIDE

ANNUAL REVENUES
EXCEED €10.7 BILLION

OVER 97,000 COMPANIES IN
OVER 120 COUNTRIES RUN
SAP SOFTWARE

35 YEARS OF INDUSTRY EXPERTISE



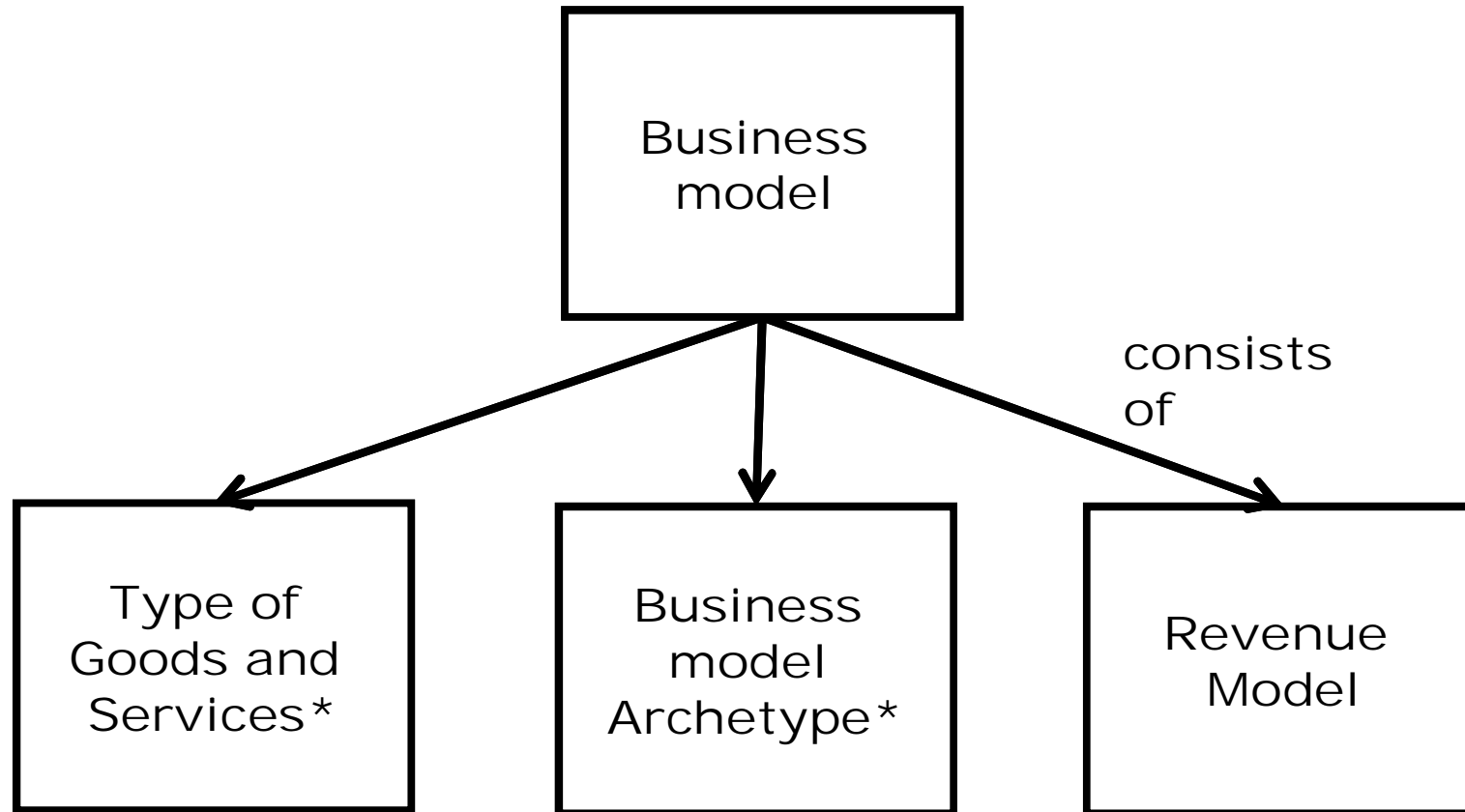
A BELIEF THAT INNOVATION CAN COME FROM ANYWHERE



Researching the tree of life of software companies



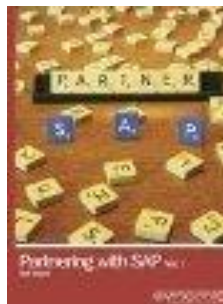
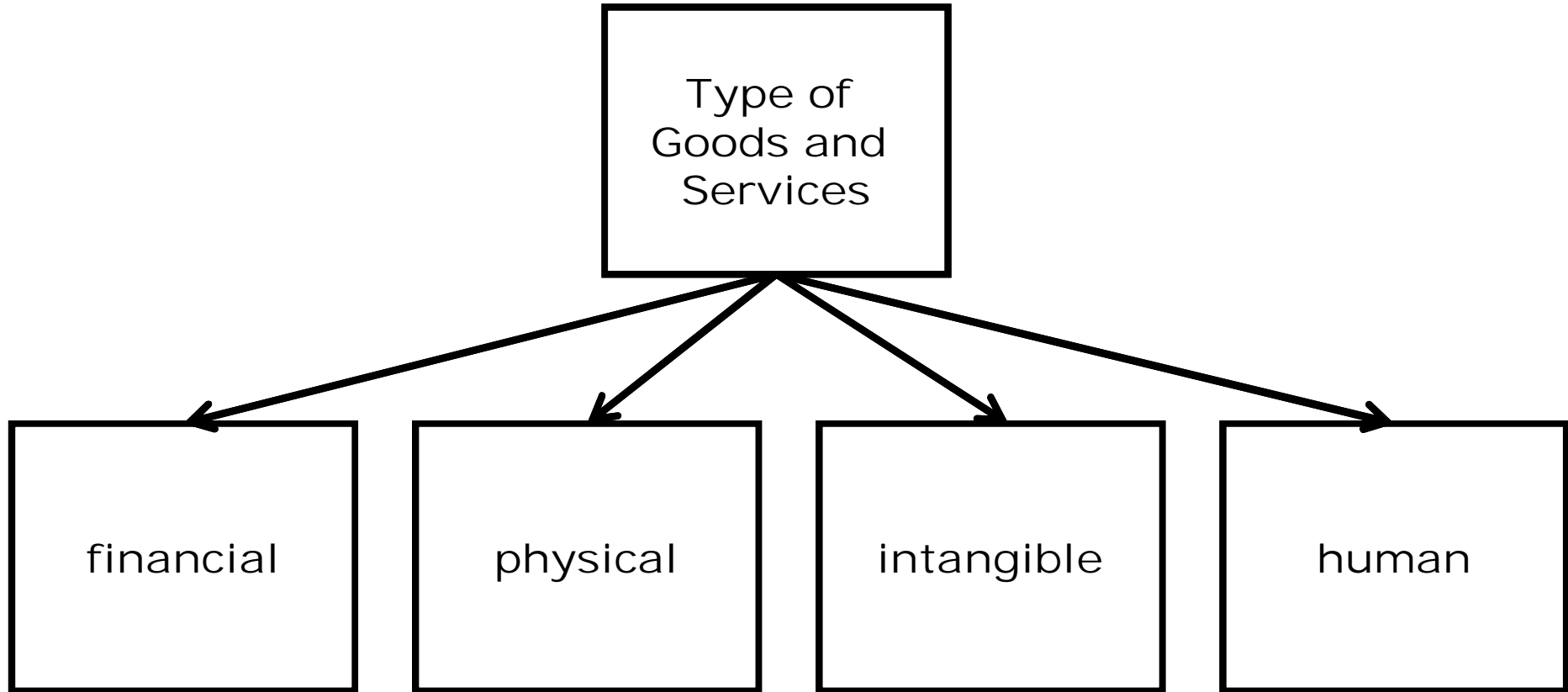
Business Model



*Source: Weill et al., Do Some Business Models Perform Better than Others? A Study of the 1000 Largest US Firms, MIT Center for Coordination Science Working Paper No. 226, 2005.



Types of goods and services



Business Models

	Type of Goods/Services offered			
	Financial	Physical	Intangible	Human
Creator	Entrepreneur	Manufacturer	Inventor	n/a
Distributor	Financial trader	Wholesaler, Retailer	Intangibles distributor	n/a
Lessor	Financial lessor	Physical lessor	Intangibles lessor	Contractor
Broker	Financial broker	Physical broker	Intangibles broker	HR broker

Source: Weill et al., Do Some Business Models Perform Better than Others? A Study of the 1000 Largest US Firms, MIT Center for Coordination Science Working Paper No. 226, 2005.

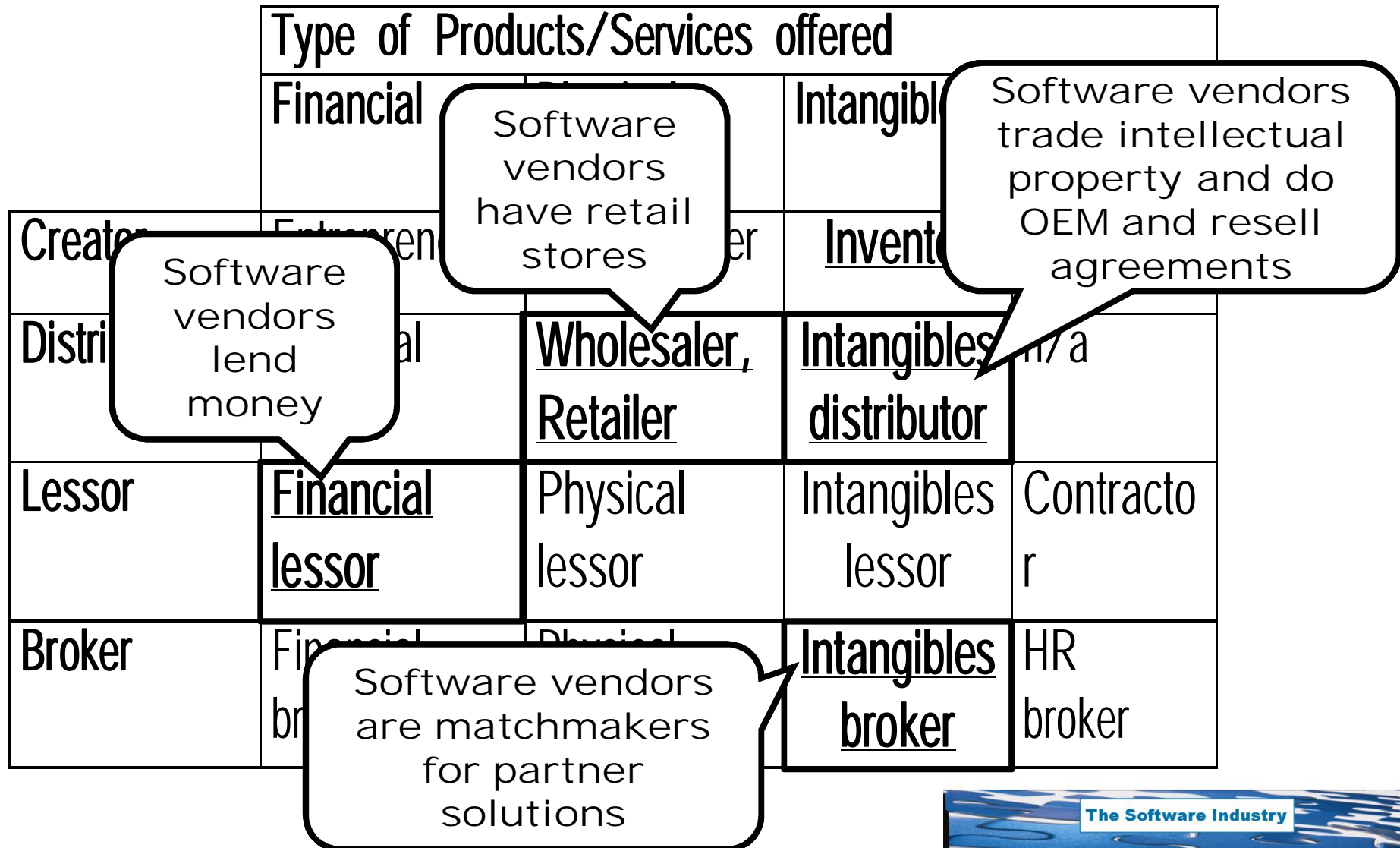
Common Business Models in the Software Industry

	Type of Goods/Services offered			
	Financial	Physical	Intangible	Human
Creator	Entrepreneur	Manufacturer	<u>Inventor</u>	n/a
Distributor	Financial trader	Wholesaler, Retailer	<u>Intangibles distributor</u>	n/a
Lessor	Financial lessor	<u>Physical lessor</u>	<u>Intangibles lessor</u>	<u>Contractor</u>
Broker	Financial	Physical	Intangibles broker	Human

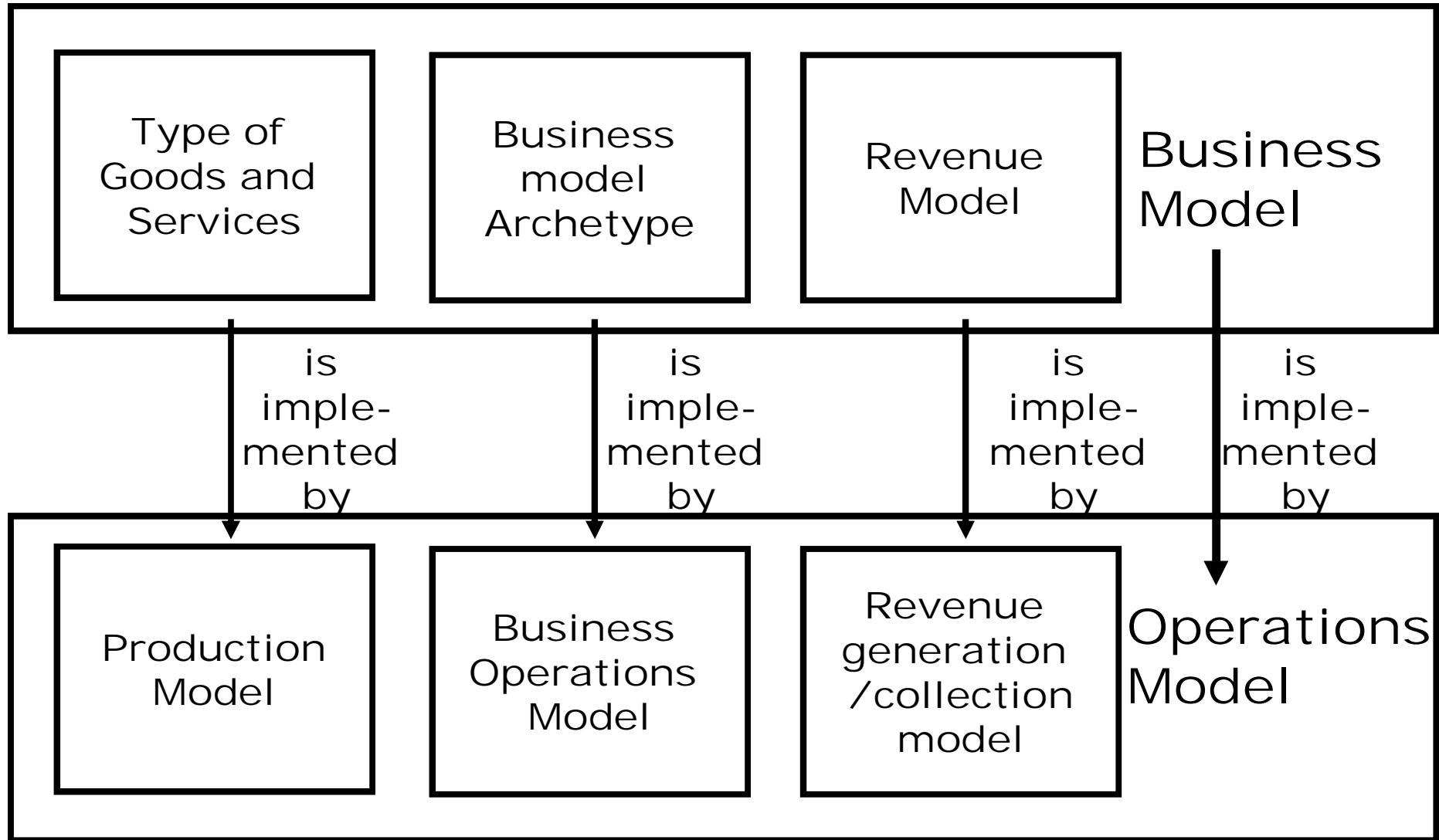
Software vendors offering hosted solutions or Software as a service provide hardware usage to customers

Most Software vendors have a consulting business

Other Business Models in the Software Industry



Business Model and Operations Model



Disruptive Business Models

- **Disruptive Business Models**
 - Undermine the business models of existing companies in an industry
- Are mostly hybrid business models
 - i. e. a new combination of several types of products/services, archetypes and revenue models
- **Example: Google**
 - Revenue mostly comes from advertising
 - other products/services don't create revenue

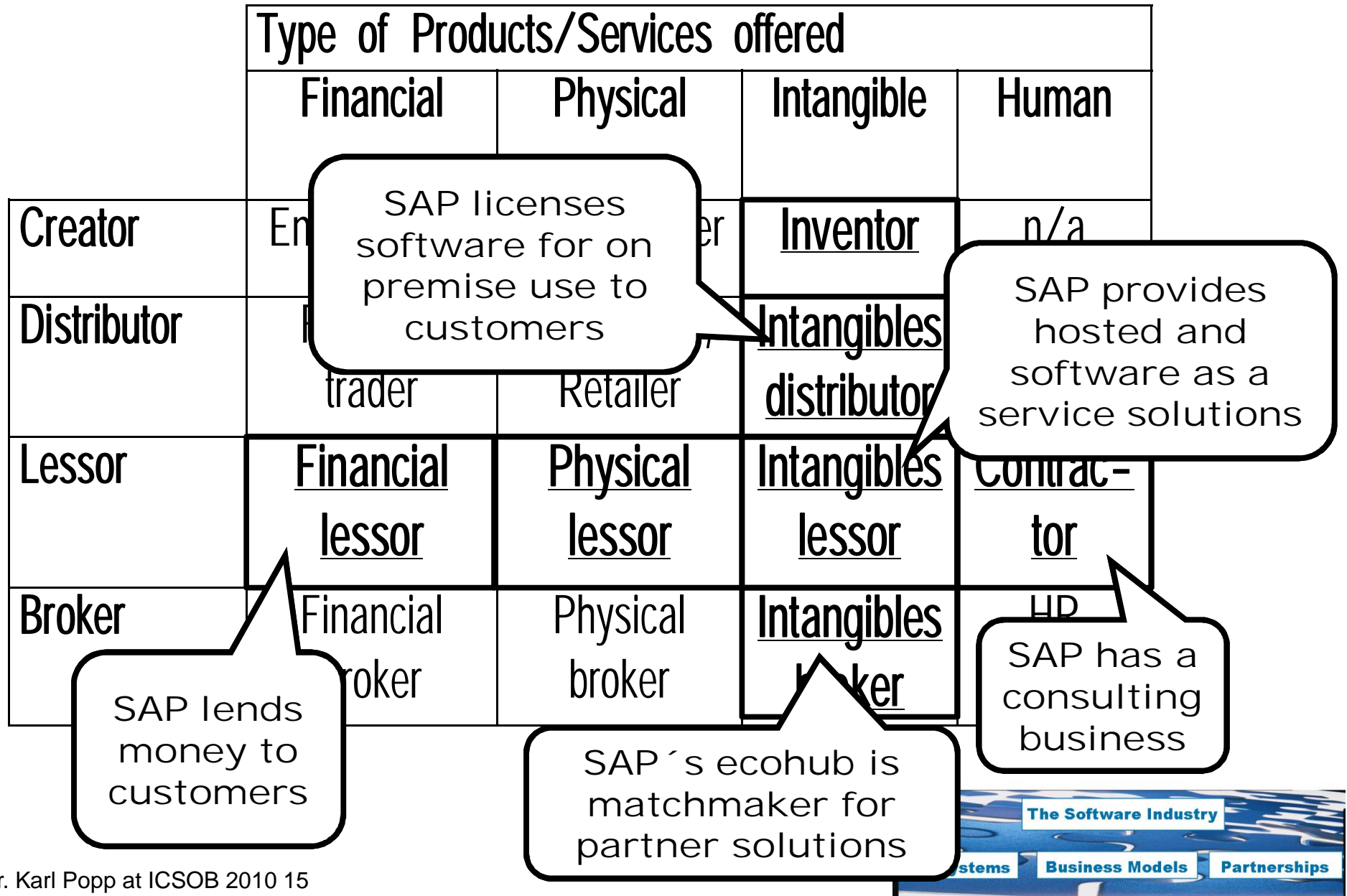


Disruptive Business Operations Models

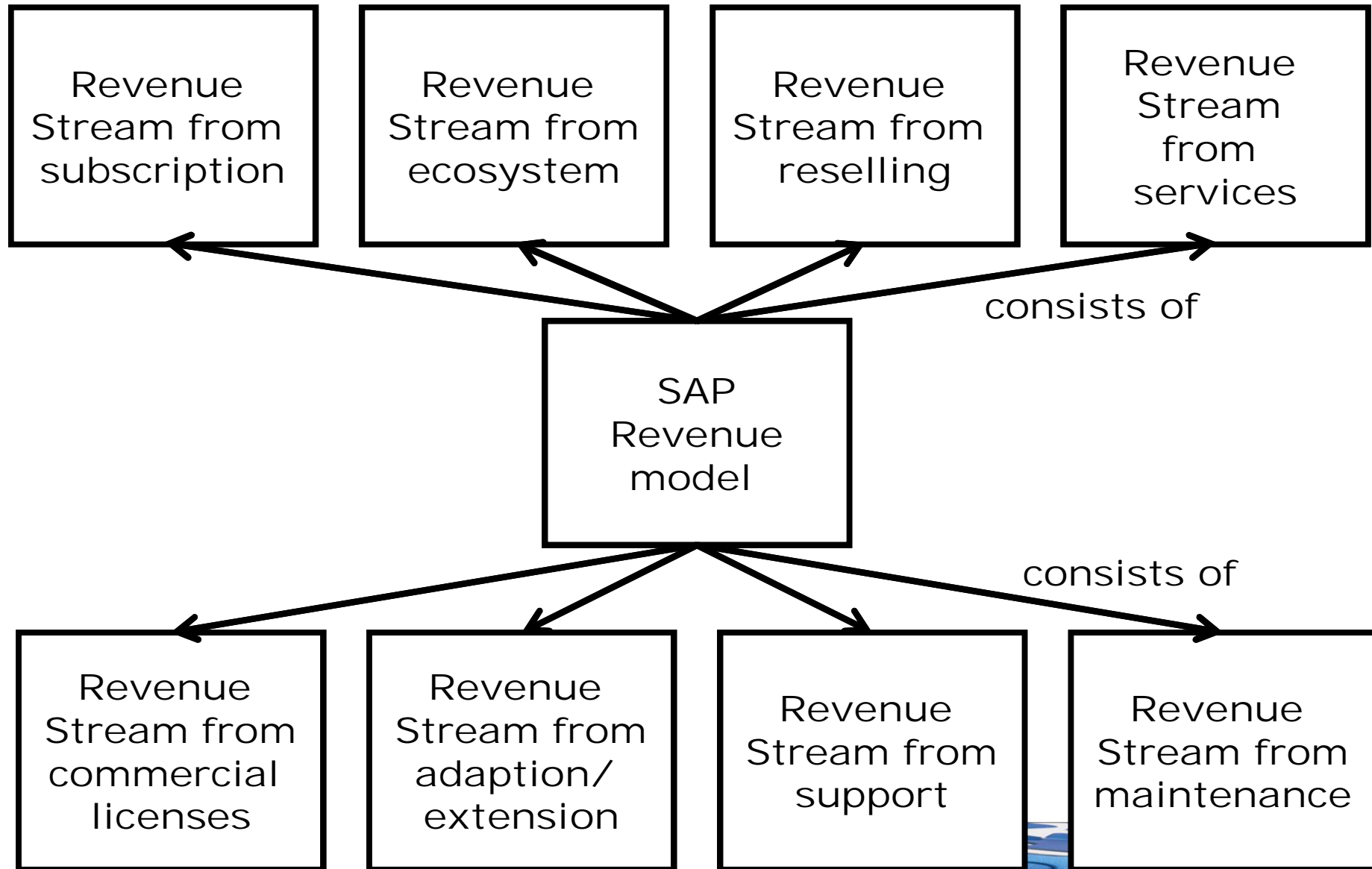
- **Disruptive Operations Models**
 - Undermine the business operations models in an industry
 - Mostly are new forms of Production Model, Business Operations model or Revenue generation model (or a combination thereof)
- **Examples**
 - Amazon for bookshops
 - Docmorris for pharmacies in Europe
 - Dell for computers



SAP Business Model



SAP Revenue Model (excerpt)



Microsoft Business Model

					Type of Products/Services offered				
					Financial	Physical	Intangible	Human	
Creator	<p>Microsoft builds and sells hardware and appliances</p>				<u>Manufacturer</u>		<u>Inventor</u>	n/a	<p>Microsoft has numerous OEM deals</p>
Distributor					trader	Wholesaler, Retailer	<u>Intangibles distributor</u>		
Lessor	<u>Financial lessor</u>	<u>Physical lessor</u>	<u>Intangibles lessor</u>	<u>Contractor</u>					
Broker	<u>Financial</u>	<u>Physical</u>	<u>Intangibles broker</u>	HR broker	<p>Microsoft is matchmaker for partner solutions and partner services</p>				

Google Business Model

	Type of Products/Services offered			
	Financial	Physical	Intangible	Human
Creator	Entrepreneur	<u>Manufacturer</u>	<u>Inventor</u>	n/a
Distributor		Wholesaler, Retailer	Intangibles distributor	
Lessor	Financial lessor	<u>Physical lessor</u>	<u>Intangibles lessor</u>	Contractor
Broker	Financial broker	Physical broker	<u>Intangibles broker</u>	HR broker

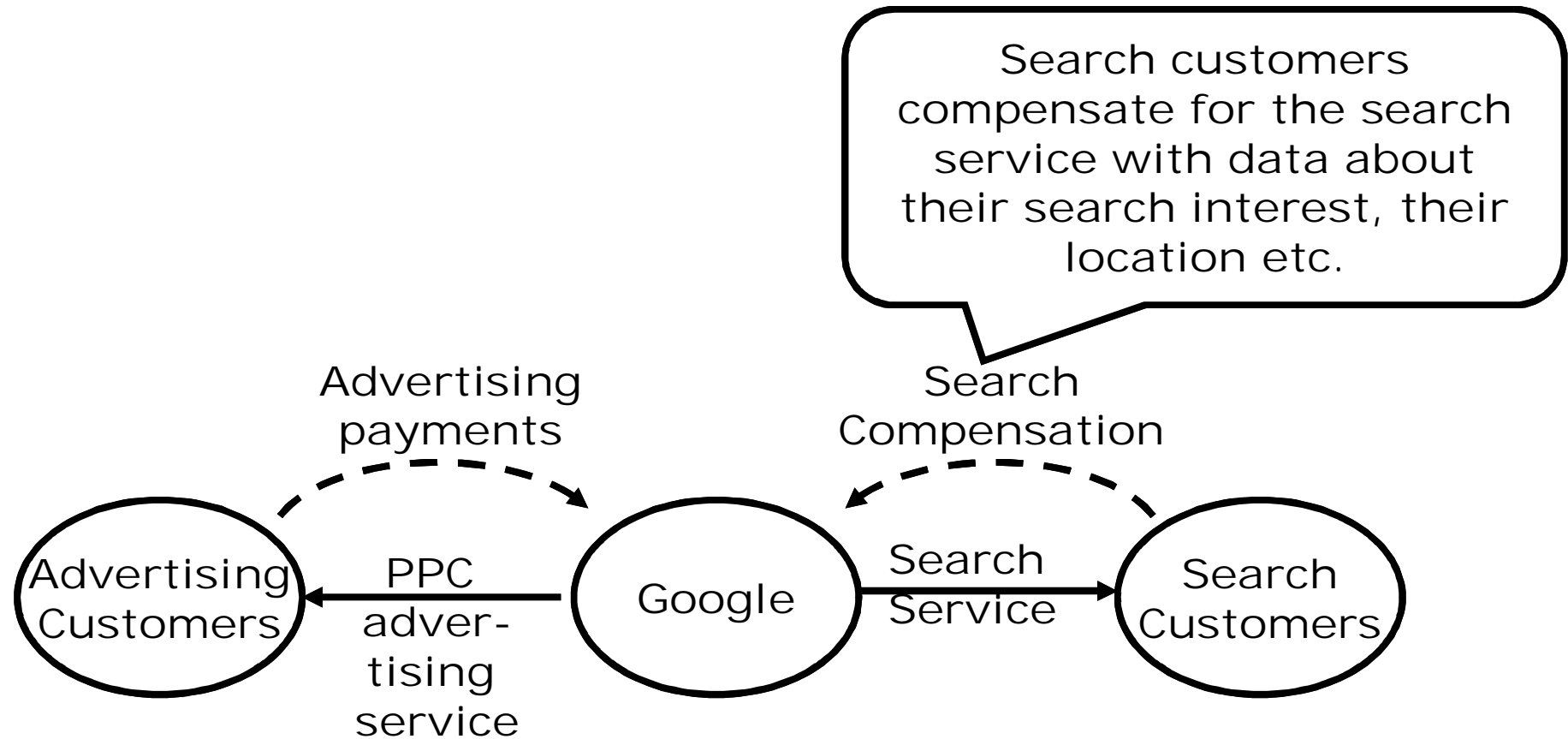
Google offers appliances

Google provides software as a service (Gmail, Google Apps)

Google is matchmaker between customers and advertisers based on customer inquiries



Google Search Services and Compensation



Products,
Assets or
Services



Compensation

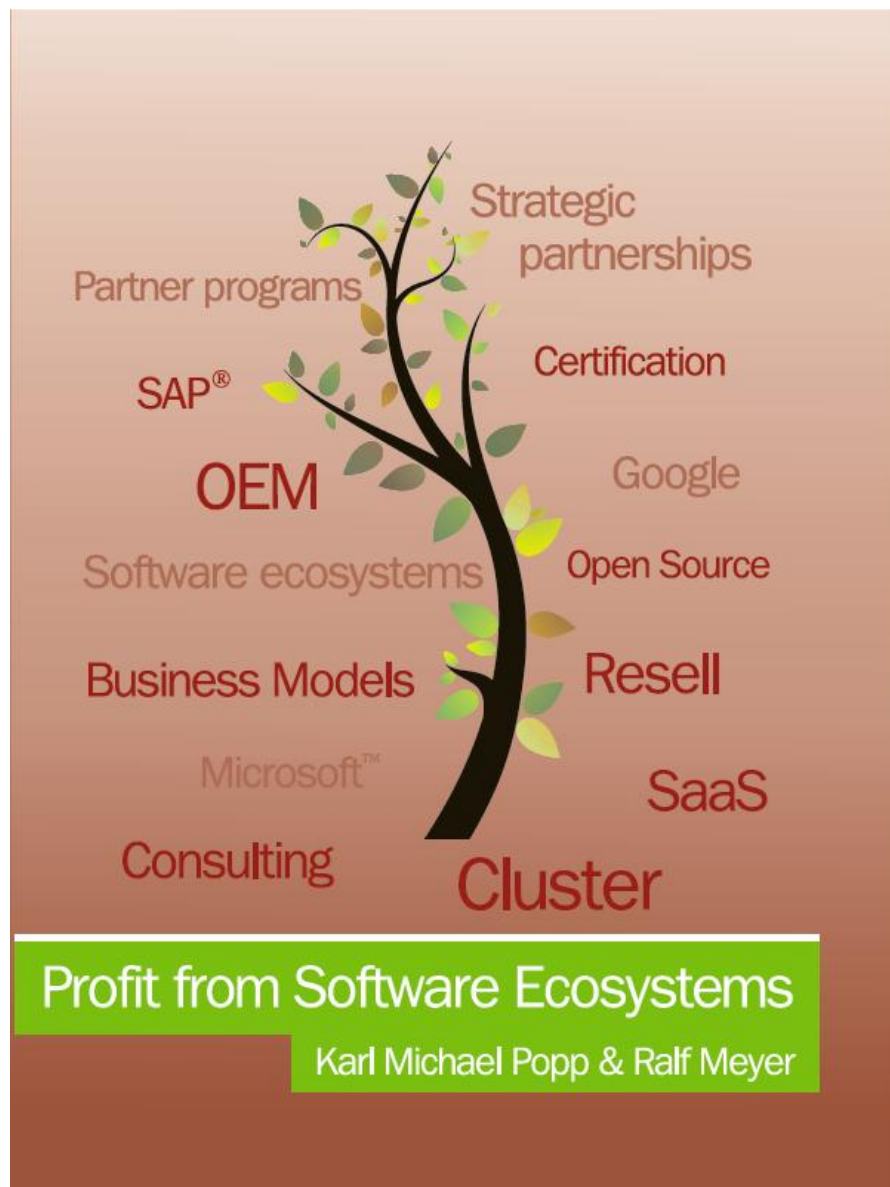


Summary

- A Business Model Concept is the first step to research the tree of life of software companies
- It shows ways to analyze existing and to create new business models
- Further research needed on
 - the different business models as they are used in the software industry
 - Which partnering strategies make sense for different business models and business operation models



A first glimpse on the tree of life



- **Contents**

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