

Nuts & Bolts of New Ventures

Business Models

MIT – Course 15.393
Room: 10-250

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Importance of Choosing a Business Model

Choosing the right business model is crucial for the success of any company. It determines how a company creates, delivers, and captures value, laying the foundation for its operations and revenue generation.

A successful business must be willing to modify its model to adapt quickly to the market!

Definition of a Business Model

Def_Business Model

A business model describes the rationale of how an organization creates, delivers, and captures value

Business Model Generation

Framework for Operations

A business model outlines the structure and strategy a company will use to create and deliver value, detailing its products, target audience, revenue sources, and more.

Revenue Generation Plan

It defines how the company will earn revenue, whether through direct sales, subscription models, advertising, freemium, or other means.

Value Delivery Method

It informs how the company will deliver value to customers, whether it's through physical products, digital services, or a combination of both.

Business Model Canvas

Business Model Generation



Business Models Examples

Subscription

Companies like Netflix and Spotify thrive on subscription-based revenue models, offering seamless access to their services for a recurring fee.

Freemium

Businesses use freemium models, like Google, Dropbox and LinkedIn, offering basic services for free while charging for premium features.

Marketplace

Marketplace models, exemplified by eBay and Etsy, connect buyers and sellers, generating revenue through transactions and advertisements.

Advertising

Revenue is generated through advertisements displayed to the audience. Google now owns this space!

Direct Sales

OEM

Reseller / Partner



**Different Industries and Sub-Industries =
different models**

Entertainment

NETFLIX

Content Selection

Netflix's personalized recommendations, original original content, and user-user-friendly interface set it it apart. Live Events is now launched

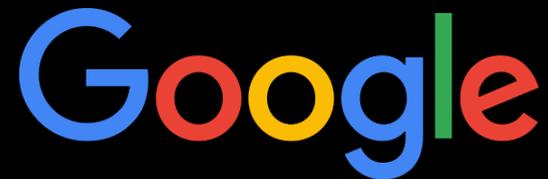
Subscription Model

Global subscribers at Netflix
Netflix reached more than
300 million.
Market Cap Jan 2025: 407.38
407.38 billion

Global Reach

Netflix's strategy to expand internationally and adapt to diverse markets resulted in exponential growth.

Search +++



340B+

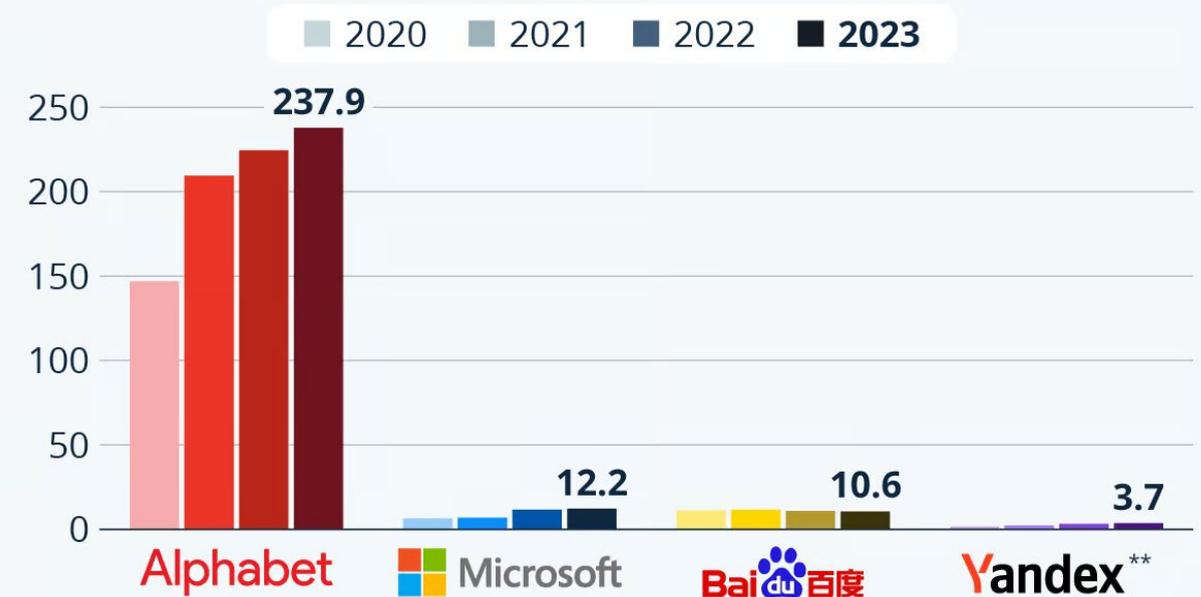
Annual Ad Revenue by 2027
world's biggest advertising company

Google's diverse advertising platforms contribute to
over \$237 billion in 2023 revenue.

Jan-2024 market cap \$2.4T

Google's Ad Revenue Dwarfs Competitors

Annual advertising revenue of selected tech companies
offering search solutions (in billion U.S. dollars)*



* Microsoft = Fiscal year from Jul. 1 - Jun. 30 of the following year

** Converted from RUB to USD at exchange rate for Dec. 31 of corresponding year

Sources: Company statements



MedTech

EFFICACY

Shift from sale-driven products to care-driven products

DATA-DRIVEN

Leverage MedTech to improve treatment ecosystem



DEVICE VALIDATION

Garner real-time customer feedback

REMOTE SERVICE

MedTech capable of delivering remote care

Digital Commerce



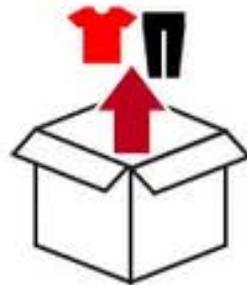
1. SHARING ECONOMY

THE NEXT-GENERATION RENTAL MARKET

Convenience and experience over ownership—at a fraction of the price.

WILL U.S. CONSUMERS RENT?

37% say they'd use a rental subscription for clothing, renting an item for an occasion and returning it after, instead of purchasing it outright.



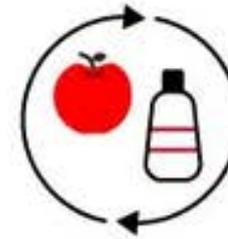
2. PERSONALIZATION ECONOMY

"SURPRISE ME" SUBSCRIPTIONS

Expertly curated products tailored to the individual and automatically delivered.

WILL U.S. CONSUMERS TRY IT ON?

32% say they'd use a "Surprise Me" subscription for clothing where an expert personally selects items they might like based on previous purchases.



3. REPLENISHMENT ECONOMY

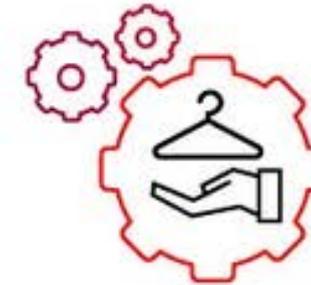
AUTO-REPLENISHMENT

Smart sensors detect when a product is running low and automatically re-orders and delivers it.

WILL U.S. CONSUMERS BITE?

47% would consider auto-replenishment for household goods like detergent.

43% would consider it for fresh food items.



4. SERVICES ECONOMY

"DO IT FOR ME"

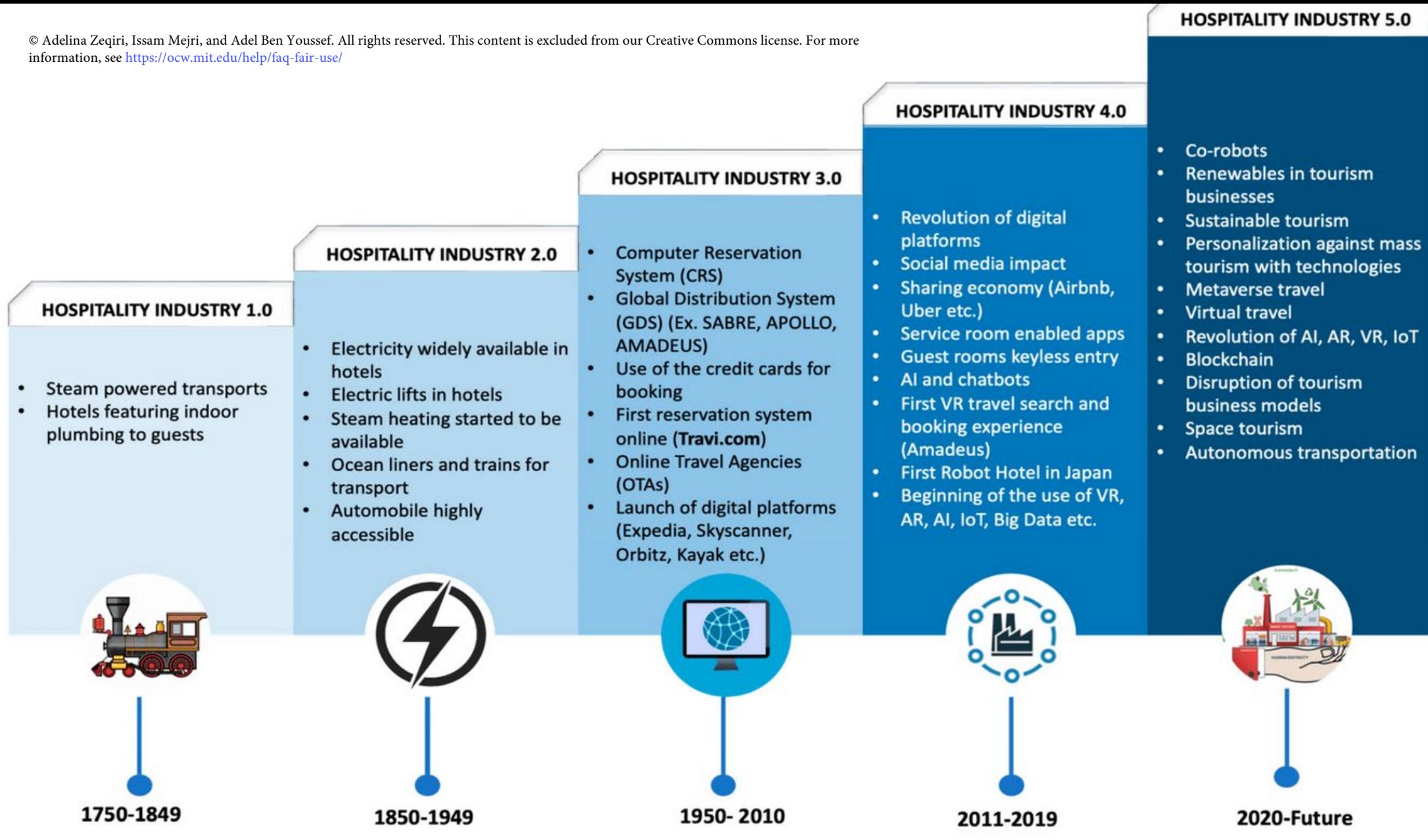
Services are outsourced so someone else does the heavy lifting.

WILL U.S. CONSUMERS OUTSOURCE?

35% would use a "do it for me" subscription for their laundry—pickup, wash-and-fold, and delivery back to their door.

Hospitality and Travel

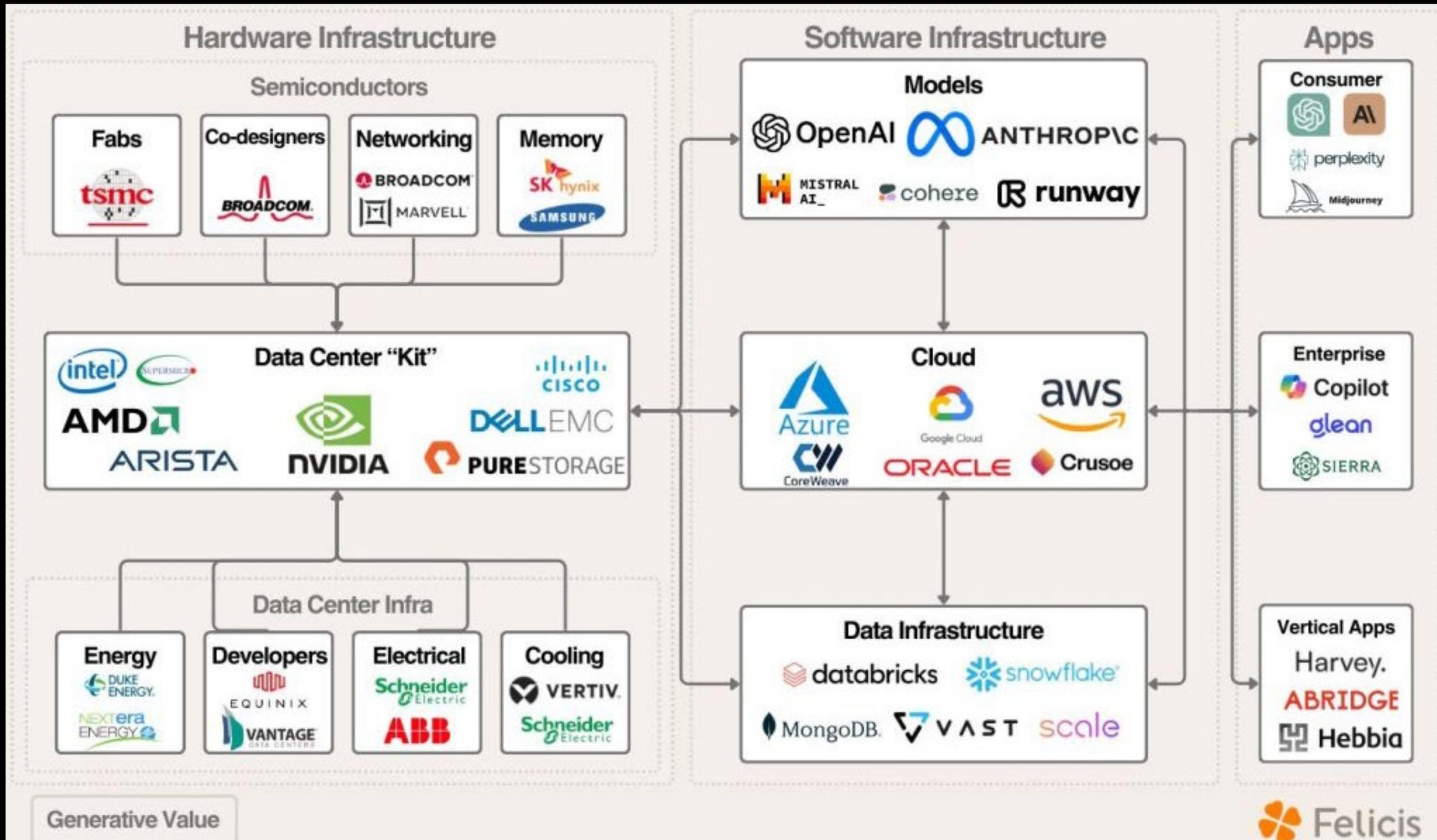
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AI will enhance and change everything

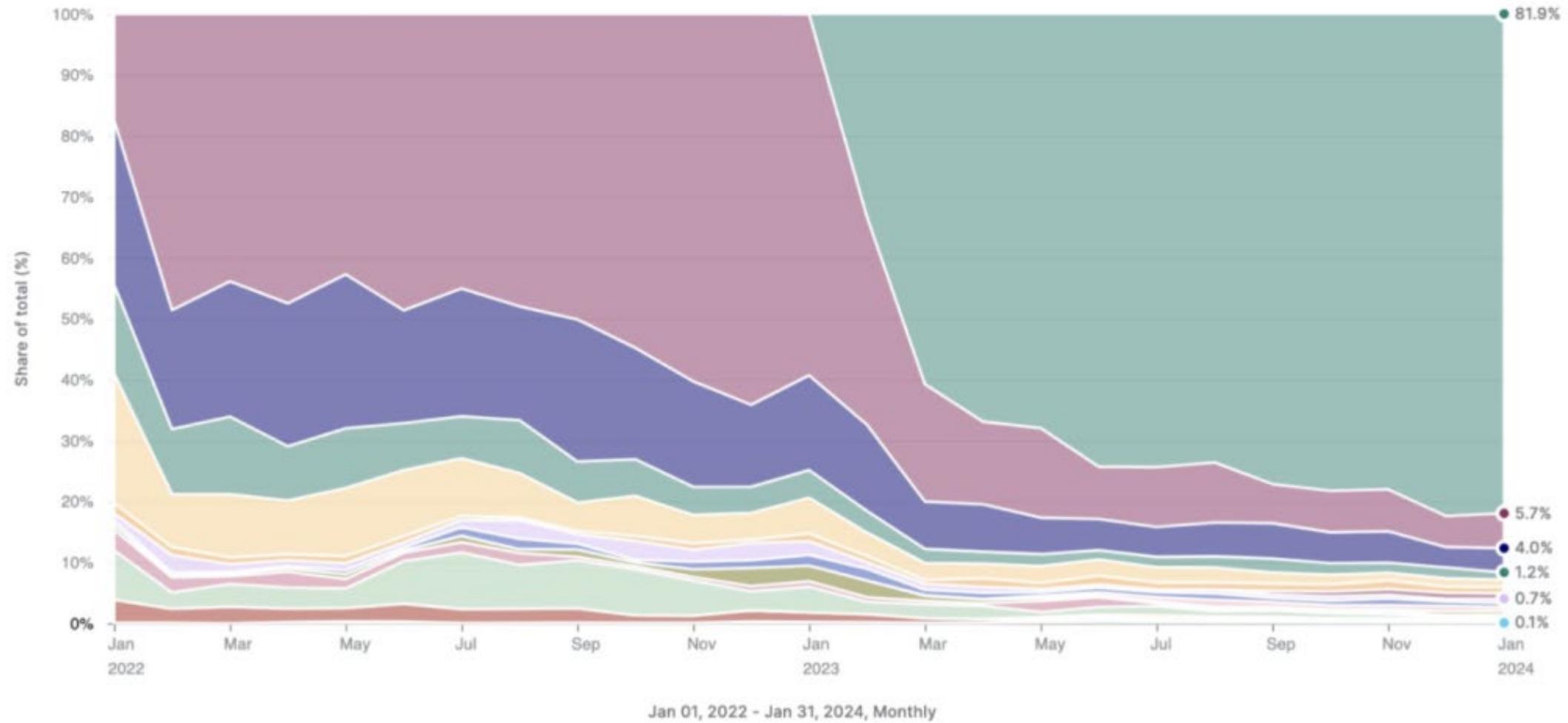


AI Value Chain



AI Tools and Revenue

Subscription Sales



- ChatGPT
- Jasper AI
- Quillbot
- VEED.IO
- Looka
- RunwayML
- Anthropic
- MURF.AI
- Pictory
- Leonardo.ai
- Writesonic
- Replit
- Copy.ai
- Character.AI
- Rytr
- Hotpot.ai
- Tome
- View less

Common Pitfalls to Avoid When Selecting a Business Model

Overcomplicating the Model

Overly intricate business models can create confusion and hinder implementation, leading to operational inefficiency.

Ignoring Market Dynamics

Failing to adapt to market shifts & evolving consumer behaviors can render a business model obsolete or unsustainable.

Lack of Flexibility

Rigid, inflexible models may struggle to adapt to changing business environments, limiting the company's ability to innovate and grow.

Key Takeaways and Final Thoughts

1

Adaptability is Key

Successful business models should be agile and adaptable to changing market conditions and emerging opportunities.

2

Customer-Centric Approach

Aligning the business model with customer needs and delivering exceptional value is paramount for sustainable success.

3

Innovate Continuously

Continuous innovation is essential to keep the business model relevant and competitive in dynamic industries.

Thank You

Richard Kivel



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