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Analysis of Osterwalder and Zhu&Wei Mixed Framework

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Abstract: The business model was first appeared in academic papers by American scholars Bellma and Clark as a concept in 1957, but the concept and definition of the business model has not yet been unified.But this concept officially entered the public and academic field of vision in the 1990s, when the famous management master Peter F. Drucker first called it management theory (Peter F, 1994). Henry Mintzberg who is a famous Canadian management scientist, he called the business model of corporate organization "strategic thinking" (Henry, 1994). Timmers (1998) believes that a business model is a system that includes products, services and information flow constructed by an enterprise based on the relationship between relevant stakeholders. The purpose is that the enterprise has the ability to operate continuously. This article mainly analyzes the concept of Osterwalder and Zhu&Wei's business models and Mixed framework.

Keywords: Business model; Mixed framework

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1. Framework analysis of business model

1.1 The nine-element business model of Osterwalder

This model was proposed by Osterwalder (2004). He pointed out that the business model should include four pillars: products and services, asset management, customer interface and finance. This model is used to analyze the business logic of the operations of companies. It describes the value that the specific entity can provide to customers and realizes (creation, marketing and delivery). This is an element that can generate sustainable value income (the internal structure of companies, Partner network and capital, etc.).

Osterwalder also mentioned the connection between the connotations of each element and the inner meaning of each element.

For example, when analyzing consumers, we should clarify their classification goals before we find target customers. When discussing channels, analyze how the company and consumers establish contact etc. The solid line indicates the relationship between the elements. When analyzing an element, other elements related to it should be considered together. Different color areas showed the elements included in the four pillars, such as: consumer interface including channel and consumer analysis etc. (Osterwalder, 2004).

1.2 The six-element model of Zhu&Wei

As mentioned in the case plan, Zhu&Wei are famous management professors at Peking University. They proposed the six elements of a business model in 2012, including: positioning, business system, profit model, key resources and capabilities, cash flow structure and corporate value (Zhu&Wei, 2012).

1.3 Mixed framework

Zhu&Wei released their business model framework in 2012, which is closer to the current result, so based on Zhu&Wei's business model framework and combined with business model of Osterwalder.

2. Analysis of the components of the mixed framework

2.1 Positioning

Positioning seems to have evolved from market segmentation, target market and market structure changes in the 1960s and 1970s (Sekhar, 1989). Ries and Trout (1986) concluded in their work that positioning is not something done to products and services, but something done to ideas of customers. From the mixed framework, we can see that the company's positioning mainly includes two basic contents, value objects and value propositions. The value object refers to the customer group targeted by the company's products and services. The value proposition includes two meanings. The first is from the perspective of the enterprise, which refers to the products and services provided by the enterprise. The second is from the customer's point of view, which refers to the value satisfied by the customer. It needs to be emphasized that the value of customers is the key, because products and services are choices made around customer value (Zhu&Wei, 2012).

2.2 Business system

The business system describes all the links required by an enterprise to provide products and services to customers, including the internal structure and institutional system of the enterprise, as well as the arrangement of the relationship between the enterprise and its stakeholders (Osterwalder, 2004), It reflects the transaction relationship between the enterprise and its various internal and external stakeholders, It mainly includes four links: The first is the arrangement of the relationship between the funding institution and the investor, The second is the internal production system (including the service delivery system) and related functional arrangements and element allocation methods. The third is the relationship between the company and its partners. The connection point of this relationship could be in the production link, could be in the technical link before production, or may be in the sales link after production. The fourth is the marketing method, which refers to the way to realize the value of the enterprise's products and services.

2.3 Key resources and capabilities

Resources refer to the elements controlled by the enterprise that can ensure the effective operation of the enterprise's business system and the realization of enterprise positioning. It mainly includes finance, tangible assets, human resources, information networks, customer relationships, company relationship networks, intangible assets and strategic resources etc. These collections usually include a set of mature business applications and tools for finance and costing, sales and distribution, materials management, human resources, production planning and computer integrated manufacturing, supply chain and customer information (Boykin, 2001; Chen, 2001; 2001). (Yen et al., 2002).

Capability refers to the ability of an enterprise to use internal and external resources to achieve internal and external cooperation. It consists of a series of activities, including organizational capabilities, transaction capabilities, learning capabilities etc. The key resources and capabilities of an enterprise could be one or some particularly prominent elements, and other elements are centered on it and constitute a business model, Enterprises can also create more competitive output by effectively integrating the ability elements in the value chain, and this integration ability becomes a key resource and capability of the enterprise (Zhu&Wei, 2012).

2.4 Profit model

The profit model refers to the source and method of corporate profits. It has to answer questions such as: How to price? From whom? What is the method of charging? What is the method of settlement? Who can share the cost of investment or payment? An excellent business model can allow both consumer surplus and producer surplus Achieve consensus (Zhu&Wei, 2012).

2.5 Free cash flow

Agrawal and Jayraman (1994), Vafeas and Joy (1995) and. Lee (1998) measured FCF as operating income before depreciation, minus interest expense, taxes, and dividends (both commonand preferred). Phillips (2003) used FCF as CFO less the increase in plant and net working capital. However, Wei & Zhu (2012) believes that the free cash flow of a company can be divided into free cash flow from the perspective of all capital and free cash flow from the perspective of shareholders.

Free cash flow of all capital = EBIT + depreciation and amortization-working capital investment-fixed asset investment

Free cash flow of equity capital = shareholder net profit + depreciation and amortization-working capital investment-fixed asset investment + net debt financing

An excellent business model can drive debt financing with less equity investment, obtain substantial shareholder profits, and achieve an ideal return on equity. In general, a model with light assets, high free cash flow, and high profit is a desirable business model (Zhu&Wei, 2012).

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