



**Trust in Success Potential of Revenue Models
from an Investor Perspective.
An Analysis of Revenue Type Combinations
of German E-Business Start-Ups.**

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BACKGROUND: the starting point of the study



NETFLIX



Der Club

BERTELSMANN

GOAL: successful revenue models for e-business start-ups

- (1) To provide an **overview on revenue models** which are used in German e-business start-ups.
- (2) To identify **successful revenue models with regard to the acceptance of investors** (and therefore the expected future success).



success as the attractiveness of a revenue model from the perspective of the investors

METHODOLOGY: 5 types of revenue, 31 revenue models

“single transactions” (sta)

“subscription” (sub)

“provision/commission” (pro)

“selling profile/user data” (dat)

“advertisement” (adv)

31 revenue models (combinations of revenue types)

METHODOLOGY: e-business start-ups from 2004 - 2013

- data from **start-up database**
- 241 e-business start-ups **from 2004 to 2013**
- start-ups are **not older than ten years**
- **e-business as an umbrella-term** for the following sub-sectors: curated web, ecommerce, gaming, messaging, mobile, music, news, photo/video, search, social, software, webhosting
- doing business in the **B2C, B2B** and both, the B2C & the B2B sector
- success as the attractiveness of the revenue model measured by (a) the **number of investors** and (b) the **total volume of investments** of the respective start-up

RESULT #1: almost two-third – sta, more than 50% – dat

Revenue type	Frequency	Percentage	Real Percentage
Single transactions (sta)	53	22.0	62.4
Selling profile/user data (dat)	49	20.3	57.6
Advertisement (adv)	40	16.6	47.1
Subscription (sub)	28	11.6	32.9
Provision/Commission (pro)	28	11.6	32.9

Table 1: Revenue types of German e-business start-ups (N=241, missing values for 156 cases) (combinations of revenue types possible/multiple entries possible)

RESULT #2: combinations of two or more revenue types

Number of revenue types within the revenue combination (revenue model)	Frequency	Percentage	Real Percentage
1 revenue type only	12	5.0	14.1
Combination of 2 revenue types	41	17.0	48.2
Combination of 3 revenue types	25	10.4	29.4
Combination of 4 revenue types	6	2.5	7.1
Combination of 5 revenue types	1	0.4	1.2

Table 2: Number of revenue types within the revenue model of German e-business start-ups (N=241, missing direct revenues versus indirect revenues within the revenue model of German e-business start-ups (N=241, missing values for 156 cases) values for 156 cases)



Most common combinations:

“single transactions plus selling profile/user data”

“single transactions plus selling profile/user data plus advertisement”

RESULT #3: combinations direct and indirect revenues

Number of revenue types within the revenue model	Frequency	Percentage	Real Percentage
Direct revenues	17	7.1	20.0
Indirect revenues	16	6.6	18.8
Combination of direct and indirect revenues	52	21.6	61.2

Table 3: Direct revenues versus indirect revenues within the revenue model of German e-business start-ups (N=241, missing values for 156 cases)

RESULT #4: 1 to 25 investors, 15k to 73m Dollar

	N	Minimum	Maximum	Average
Absolute number of investors	239	1.00	25.00	2.90
Absolute volume of investments	140	\$15.000	\$73.000.000	\$6.252.729
Indexed number of investors	239	0.10	6.86	0.83
Indexed volume of investments	140	\$2.813	\$15.000.000	\$1.278.007

Table 4: Absolute and indexed number of investors and volume of investments of the respective start-ups (data with number of investors N=239, data with volume of investments N=140)

RESULT #5: most successful: sta-pro & sta-pro-dat-adv ?

by indexed volume of investments

revenue type combination	N	Min	Max	Mean
sta-pro	3	\$1.905k	\$14.848k	\$6.696k
sta-pro-dat-adv	2	\$1.960k	\$10.704k	\$6.332k
sta	4	\$72k	\$15.000k	\$4.019k
sub-dat	3	\$3k	\$9.155k	\$3.360k
sub	3	\$34k	\$7.341k	\$2.993k

by indexed number of investors

revenue type combination	N	Min	Max	Mean
sta-pro-dat-adv	3	0.41	6.86	2.90
pro-dat	4	1.04	2.40	1.84
sta-pro	5	0.16	3.66	1.81
sta-adv	6	0.10	4.80	1.28
sta-sub-adv	3	0.13	2.57	1.17

direct versus indirect revenues	N	Min	Max	Mean
direct revenues	8	\$34.k	\$15.000k	\$3.140k
combination	30	\$3.k	\$14.848k	\$2.476k
Indirect revenues	8	\$96.k	\$2.893k	\$1.197k

direct versus indirect revenues	N	Min	Max	Mean
direct revenues	51	0.10	6.86	1.08
combination	17	0.17	2.40	0.95
Indirect revenues	16	0.13	2.40	0,93

Table 5a: Differences between the groups "revenue model", "direct versus indirect revenues" in values of indexed number of investors and volume of investments

RESULT #5: most successful: sta-pro & sta-pro-dat-adv ?

by indexed volume of investments

number of revenue types	N	Min	Max	Mean
Combination of 4 revenue types	2	\$1.960k	\$10.704k	\$6.332k
1 revenue type only	7	\$34k	\$15.000k	\$3.579k
Combination of 2 revenue types	21	\$3k	\$14.848k	\$2.585k
Combination of 3 revenue types	15	\$96k	\$4.234k	\$1.082k
Combination of 5 revenue types	1	\$743.k	\$743.k	\$743.k

by indexed number of investors

number of revenue types	N	Min	Max	Mean
Combination of 4 revenue types	5	0.41	6.86	2.04
Combination of 2 revenue types	41	0.10	4.80	1.07
1 revenue type only	12	0.17	2.40	0.92
Combination of 5 revenue types	1	0.86	0.86	0.86
Combination of 3 revenue types	25	0.11	2.57	0.79

Table 5b: Differences between the groups “number of revenue types”, in values of indexed number of investors and volume of investments

SUMMARY: descriptive findings for question (1)

- The most common revenue types for German e-business start-ups are **“single transaction”** and **“selling profile/user data”**.
- The most common combinations of revenue types are **“single transactions plus selling profile/user data” (sta-dat)**, and **“single transactions plus selling profile/user data plus advertisement” (sta-dat-adv)**.
- German e-business start-ups mostly build their revenue model out of a **combination of two or three revenue types**.
- The most common revenue models of German e-business start-ups are **combinations of direct and indirect revenue types**.

SUMMARY: preliminary indications for question (2)

- Investors tend to **prioritize pure direct over pure indirect** revenue models.
- Investors tend to **prioritize revenue models based on more than one revenue type.**
- Investors tend to **prioritize revenue models based on single transaction revenues** (plus diverse additional types).

LIMITATIONS: small sample – availability of data

- very **small sample** > few cases within different sub-groups
- **availability of data**
- **no statistically significant** group differences confirmed
- data based on **German** e-business start-ups **only**



Thank You!

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