Kati Korhonen

Developing a Business Model for Lappeenrannan Teatterikiinteistö Oy

Master’s Thesis 2015
Abstract

Kati Korhonen
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Saimaa University of Applied Sciences
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Instructor: Rector Anneli Pirttilä, Saimaa University of Applied Sciences

This thesis develops a business model for a real estate company and a subsidiary of the City of Lappeenranta. The case company is relatively new and has not yet started its business operations. Lappeenranta city theatre will be situated in this real estate and the theatre location is unique in Finland and worldwide. The research problem was defined in the following way: What are the available business model options for a real estate company starting its business. Which of the available options would create most value to the customer of Lappeenrannan Teatterikiinteistö Oy, the case company of this thesis?

The research method was a qualitative single case study. The study included a literature review. Altogether 19 semi-structured interviews were conducted in the case company, City of Lappeenranta and with chosen stakeholders. Three business model options were formed together with the case company and they were evaluated by the interviewees. A comparison of all three business model options was conducted and both SWOT and TOWS -analyse were made from the most popular business model.

Based on the interviews, this study recommends a service model which emphasizes that all key activities related to events are outsourced and the case company only takes care of real estate management. The situation should be evaluated again after the business operations are active and running. An in-house model would be more beneficial for the case company in the long run. Further emphasis should be placed on a more detailed business plan, which clarifies all chosen business model elements.

Keywords: business model, value proposition, theatre, real estate
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### Definitions of the terms used

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<th>Term</th>
<th>Definition</th>
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<tr>
<td>Biztainment</td>
<td>Value-added entertainment which, is added to goods and services.</td>
</tr>
<tr>
<td>Blue ocean</td>
<td>Blue ocean is a market where demand is created and market offering differs from competitors.</td>
</tr>
<tr>
<td>Business model</td>
<td>A business model is a company’s logic for making money and it describes how a company creates and delivers value.</td>
</tr>
<tr>
<td></td>
<td>The business model definition is discussed in detail in Part II.</td>
</tr>
<tr>
<td>Business model element</td>
<td>A business model consists of nine elements: customer segments, customer relationship, value proposition, channels, revenue streams, key resources, key activities, key partners, cost structure</td>
</tr>
<tr>
<td>Business model option</td>
<td>Three business model options are created in this study for evaluation.</td>
</tr>
<tr>
<td>Retailtainment</td>
<td>Value-added entertainment, which is added to goods and services in retail business.</td>
</tr>
</tbody>
</table>
PART I – INTRODUCTION AND RESEARCH METHODOLOGY

1 Introduction

1.1 Background

A business model describes how a company functions in everyday business, even if the model is not consciously written on paper. It secures profitability and survival of the company (Wirtz 2011, 65-69). However only few companies understand their existing business model well enough (Johnson et al 2008). This study evaluates possible business model options for a relatively new company that has not yet started its business operations, i.e. a company that has not yet clearly defined its business model. The company that was chosen as a case company in this thesis is a real estate company and a subsidiary of the City of Lappeenranta. It manages a new theatre building that is located inside a shopping centre being built by a company called Citycon.

This concept of a theatre location combined with a shopping centre is new to the City of Lappeenranta and according to Citycon press release (2013) the concept is unique also worldwide. No similar business model was found in the existing research on the literature review of the thesis. This study helps city officials and councillors decide what kind of concept is preferable from their viewpoint. It was also noticed that the creation of business models in the subsidiaries of Lappeenranta are not defined in internal processes. A modelling procedure was created during the study and a business model recommendation for Lappeenrannan Teatterikiinteistö Oy is presented as a result of the study.

Since innovation is an important factor in creating a competitive advantage, the need of the study was noticed. As the creators of the blue ocean strategy, Kim and Mauborgne (2005, 12-18) emphasize that value innovation is more important than competition benchmarking. Accordingly looking for ideas that make competition irrelevant is the key task in the thesis. Following the blue ocean principle makes the foundation of the business model work so that the case company can find their niche of a market that has not been utilized before.
New business model ideas emerge when you learn to look through the lens of a customer. The case company has now an opportunity to find another way of doing things by searching the right customers and serving them with optimized resources. (Kaplan 2012; Kim & Mauborgne 2005.) The Lappeenranta concert and Seminar hall is situated in the City Hall, next to the theatre building. In the empirical part of the thesis it is possible to point out what synergy benefits the theatre and Lappeenranta hall could have.

This background chapter presented an introduction to the thesis and it is followed by an introduction to the case. The background for the theoretical review is discussed. Objectives and the research question are explained together with the whole structure of the research.

1.2 Introduction of the case

The aim of this research is to develop a business model for Lappeenrannan Teatterikiinteistö Oy. Lappeenrannan Teatterikiinteistö Oy was founded in 2013 and the City of Lappeenranta is the sole shareholder of the company. The main line of business is letting of real estate. The company manages first the construction and later renting the new theatre premises.

The new property will be located in the expansion of the IsoKristiina shopping centre, on its second and third floors. All performance space is on the second floor as seen in Picture 1. This expansion is built behind the Lappeenranta City Hall, between Kaivokatu and Raatimiehenkatu. The site plan is seen in Picture 2. Lappeenrannan Teatterikiinteistö Oy owns only one part of the building complex with the gross building area of 5800 m2.
The aim of the study is to develop a business model for the case company in an interactive process with the board of the company and other key persons. The shareholder of the company requires the company to be profitable and cover the life cycle costs that are about 30 million euros. These are the costs of ownership of a real estate over a defined period of its life cycle. Another
objective is to find out the key issues that should be considered in order to succeed in a real estate business and in a unique location.

The city Theatre will be located inside a shopping centre but it is also possible to organize other events besides theatre performances, for example concerts in the premises. The theatre will not need the performance hall every day, only when they have a public performance. For rehearsals there is a separate rehearsal hall in the building. A Citycon press release from 7 October 2013 states that there is no similar concept in the world: “IsoKristiina will be an internationally unique retail complex with the new premises of the Lappeenranta City Theatre located entirely inside the shopping centre, a combination found nowhere else in the world.” Therefore the business model should be tailored to meet the specific needs of the theatre and also take into consideration the exceptional location in a shopping centre.

The managers of Citycon Oyj, Jukka Posti and Heikki Alen, have stated several synergy benefits for the theatre location. They estimate that when the new shopping centre is open it will have four million annual visits. Parking facilities, restaurant and hotel services are available for theatre visitors. These new premises open up opportunities to organize other events too, such as fashion shows, seminars and concerts. If new service ideas are created, it will be beneficial for both the theatre and shopping centre. What is new about the building is that this enables a versatile usage of the theatre and it has flexibility in its opening hours. This means more usage possibilities and high pressure on the sales force in order to optimize income. Cost savings can be obtained from maintenance costs. (Lappeenranta City Council §102 2011.)

Lappeenrannan Teatterikiinteistö Oy funds the investment mainly with a loan and the City of Lappeenranta is only prepared to guarantee this loan needed to finance the investment. The city has received a government contribution worth of four million euros to the investment and total building costs are about 21 million euros. The City Council has set limitations to the total budget in November 2011 and it is required from Lappeenrannan Teatterikiinteistö Oy to totally fulfil these targets (Lappeenranta City Council §169 2011.)
In June 2014 the Lappeenranta City Board made changes to the investment plans because the cost estimate was too high in comparison with the budget. The board of Lappeenrannan Teatterikiinteistö Oy proposed that the small stage, included in the original investment plan, would be left unfinished and other contracted jobs would be cut down too. Some of the furnishing would be replaced with cheaper products. These changes would save about 1.5 million euros. It was also decided that the total budget would be checked with an index increase. (Lappeenranta City Board §280 2014.) In December 2014 the City Council approved the building of small stage with a smaller budget of 0.8 million euros (Lappeenranta City Council §108 2014). This decision enables building of the whole theatre in the width originally planned even if with more cost-effective options.

The sole owner, the City of Lappeenranta, controls its subsidiary and makes some of the strategic decisions. The consolidated corporate guidelines of the City of Lappeenranta state that the operations of their subsidiaries must be in line with the operational and financial objectives of the City Council. It is part of corporate governance that Lappeenranta is actively practicing. The owner's prior approval has to be obtained in predetermined actions of which one is related to changing a business idea. (Lappeenranta City Board §580 2013.) The City Council has set strict limits to the budget, so it also monitors its realization. The case company's board has to present business model modifications under the decision-making power of the City of Lappeenranta.

The company has not yet made a decision on its business model and the most suitable business model for the company should be chosen. There are several possible options and comparisons should be made carefully.

Lappeenrannan Teatterikiinteistö Oy will rent the premises to different organizations and one of the biggest customers will be the City Theatre. Teatterikiinteistö Oy will work closely together with the City Theatre since it will be included in all business model options and reserve approximately 60% of the total renting capacity of the performance halls. A business model will make a suggestion on how key activities could be organized since the rental income is the main revenue stream the case company will have. It will also evaluate the
level of involvement in the renting process, i.e. should the sales force be employed by the case company or be outsourced at some level. The theatre is located next to the City Hall and its conference facilities and synergies are also researched. The company will have to make sure that it will at least cover its costs and preferably be even profitable.

This research is a development work for the case company and it was based on the case company’s need in strategic decision-making. The strategic planning process started in 2006 when it was found out that the old theatre building needed renovation. Based on the condition survey, life cycle analysis and other examinations, it was found out that it is more functional and economical to build a whole new building than renovate the old one. (Lappeenranta City Board §307 2011.)

The research will give an objective view of the possibilities so that the decision making will have more background information and the evaluation of different options will be available. The Association of Finnish Local and Regional Authorities has suggested since 2011 that pre-impact assessment is used in municipal decision making. This assessment is important especially in decisions that are large and extensive and have long-term results. (Sundqvist & Oulasvirta 2011.)

The crucial investment decisions have already been made regarding the building of the new theatre, but it is as important to assess the available options for a functioning and profitable business model. This enhances transparency and openness of municipal decision making in the City of Lappeenranta. When it is time to decide about the business model of the case company, the study will show different possible models, which the local councillors can refer to while comparing different options.

1.3 Research problem and questions

The research problem of the thesis can be defined as follows:

What are the available business model options for a real estate company starting its business? Which of the available options would create most value to
the customers of Lappeenrannan Teatterikiinteistö Oy, the case company of this thesis?

Subquestions are:

1. What business model guarantees the highest profitability?
2. What are the strengths, weaknesses, opportunities and threats of the chosen business model?
3. Are there any synergy benefits with other companies and city departments?

1.4 Objectives

The objectives of the research consist of the following factors:

- to develop alternative business model options for the case company
- to analyse how company stakeholders view and evaluate the business model options
- to analyse how models meet the financial constraints of the parent company
- to give recommendations regarding the selection of the best business model

1.5 Structure of the thesis

This thesis is divided in four parts. Part I introduces the thesis, Part II discusses the available previous research and literature and thus presents a theoretical foundation. Part III analyses the empirical data and Part IV concludes the research.

Part I gives an overview of the topic and the case company. It describes the research problem, research questions and delimitations. The structure of the research is explained together with research methodology. Also some key concepts used in this study are defined.

Part II reviews the vast amount of literature on how to build a good business model for a company. Many public organizations and academic writers have
their own manuals and books for this purpose and those are used as a reference. Different business models are to be studied and the literature study will be the base of the theoretical part. One main data source is also all material that has been developed during the city’s decision making and building process. A theoretical proposition is built at the end of Part II.

Part III describes the current situation in the case company and presents the developed business model options. The collection of the empirical data is explained. Based on theoretical and empirical research, a modified business model for the case company is created. The suitability of the best business model option is evaluated and the interview results are analysed in Part III.

Part IV concludes the research, discusses the findings and managerial implications and gives recommendations to the case company.

1.6 Research methodology

The objective of the research was to find the best available business model for Lappeenrannan Teatterikiinteistö Oy. The approach was very practical and research was conducted as a qualitative study. First a literature review was conducted in order to obtain a proper understanding of the research area and also to find suitable approach for the empirical part of the study. The empirical part was conducted via workshops and interviews with chosen stakeholders. Meetings with the case company were held regularly during the whole research process.

This qualitative research was conducted as a single case study. This chapter presents the research method and also describes how empirical data is collected and analysed. In the end reliability and validity is discussed together with delimitations.

1.7 Research design

The research design follows the guidelines from Yin (2009). Study questions should be followed by a study proposition. This study has one main question and three sub questions. Propositions focus on the unit of analysis, which in this case is a company. Due to the nature of the company, its operations are closely
linked to its parent community and its key partners. Data is linked to propositions and analysed with a pattern matching method.

1.8 Literature review

Written sources for this research included academic books, journals and articles. An overall view of the business model concept was obtained from approximately 20 different sources. In addition, some characteristics about real estate management and retailtainment business, which combines retail business and entertainment, were studied.

1.9 Collection and analysis of empirical data

The case study prefers different sources of empirical data. Using as many as possible enhances the reliability and validity of the research. This study uses documentation, agendas, minutes and other archival records from the case company and from the City of Lappeenranta archive. Documents can be previous reports, studies and building plans of the new theatre real estate. Data is also collected via workshops and interviews. Relevance to the research questions was the key factor in the search process. (Yin 2009, pp. 101-106.)

The collection of the empirical data started with a pre-research in the City archives and meetings with a case company representative. The actual collection of the empirical data started with workshops with the case company management and three business model options were created during these workshops. A morphological box technique (Mathys Ltd Bettlach 2006) was mainly used for documentation. Business model options were documented with the help of the Business Model Fiddle software. That is based on the business model design from Alexander Osterwalder and his Business Model Canvas (Osterwalder & Pigneur 2010).

Then semi-structured interviews were made in order to find out which business model option is regarded to be the best by the city management and other stakeholders and which could be taken into a closer analysis. The business model options were presented during the semi-structured interviews and interviewees were asked to choose the best model and also score all models
and give them the total of 10 points. Interviewees were also asked to explain and justify their selection. All interviews were conducted individually.

Workshops were held in September and October 2014 and interviews were made during November and December 2014.

For analysis a pattern matching technique is used to evaluate variable results against predicted results (Yin 2009, pp. 136-141). In this study also an inductive logic is used. It is common in qualitative studies and an induction means that the research starts from an empirical point of view. (Kananen 2013, pp. 48-49.) Since the aim is to find a suitable business model for the case company, it should not rely only on existing models.

Key points from the most popular business model option will be formed in a form of the SWOT analysis, which clarifies the strengths, weaknesses, opportunities and threats of the business ideas. (Hesso 2013, pp. 68-69.) Analysis is made further with the TOWS matrix, which was introduced by Weihrich in 1982. It explains the relations between SWOT attributes. (Ruocco & Proctor 1994.)

Recommendations of the best suitable model are made based on the analysis. The analysing process will argue, why chosen elements are suitable for the case company.

1.10 Validity and reliability

The validity of the research is based on several elements. Using multiple data sources is one element (Yin 2009.) This research uses workshops, interviews and written material from the City of Lappeenranta. Materials are mainly meeting minutes from the City Council or City Board. Different reports and studies are also used as a reference. The material is all public and available for all citizens.

Secondly, a chain of evidence is kept clear, so that conclusions are supported by evidence that comes from the empirical data. For a reader it should be clear to follow the evidence path from case study questions to the results. (Yin 2003.)
Also case study notes and documents are kept during the whole research process. The notes are in the form of a diary and it can be retrieved at any time. The interview notes are filed accompanied with analysing documents. To support validity, it is important that there is an access to these materials (Yin 2003).

Internal validity is linked to the data analysis and special tactics are to be used in the analysing process (Yin 2009). In this case study a pattern matching technique is chosen based on the characteristics of the case.

External validity is problematic in case studies. Single case results are not easily generalized because results might not be repeated in another context. (Yin 2009.). This indicates that this research lack general external validity but results can have generalization to similar companies that operate in the same field of business.

The author of this study is employed by the City of Lappeenranta. She has a long working relationship with many of the case company representatives. A special attention was given to the research procedures so that validity would not be compromised. Objectiveness of the researcher was considered important in all phases of the research. Mutual working methods did advance the progression of the study process and data collection procedures.

A case study protocol was created and followed in order to enhance reliability. According to Yin it should include elements from introduction, data collection procedures, outline of the report to case study questions. The protocol helped the author to stay focused and concentrate on the research problem under study. (Yin 2003, pp. 67-69.)

Data collection procedures are explained together in more detail in chapter 6. Interview questions, list of interviewees and timetable are presented in the appendices of the thesis.

1.11 Delimitations

This thesis will not concentrate on the strategy of the company. The aim is only to prepare the model for business operations. The business model has to be in
line with the guidelines from the City of Lappeenranta and also follow the rules of the whole group. These consolidated corporate guidelines define that Lappeenranta City Council approves the strategy for the city and its subsidiaries and defines the financial and operational objectives for the whole group. City Board or its sub-committee approves the changes in business plans. (Lappeenranta City board §580 2011.)

Terms *business model* and *strategy* can often be misunderstood or used as if they were synonyms. They have similar attributes but a strategy is more a plan of actions of the desired position in a marketplace. A business model determines the choices of how to reach that goal. A company can function without a strategy but not without a business model. (Casadesus-Masanell, R. & Ricart, J. E. 2011.)

A strategy has to take into account constant changes in the industry or general business environment and decide whether there is a need to change a business model. It also defines what business model to use and how to use it. (Linder & Cantrell 2001.)

DaSilva & Trkman (2013) define strategy as a long-term perspective while a business model is short-term and defines the operations that are performed today. A strategy has vision and long-term goals that are not yet realized. See Figure 1.

Some authors like Wirtz (2011, pp-165-166) have closely linked strategy into the business model concept. Yet he describes that medium and long-term goals are to be set and this agrees with previous definitions.
Figure 1. The difference between a strategy and a business model. Modified from DaSilva & Trkman 2013

PART II - LITERATURE REVIEW

2 Business model concept

This chapter presents several business model definitions and explains first the definition by Wirtz (2011) since he has made a vast study about different definitions. The concept of the business model is explained together with the importance of having a model in a company. More detailed research on the different approaches and business model elements is also included in the chapter.

2.1 Business model definition

Wirtz (2011) has collected definitions of a business model from several authors. These definitions have been created by Treacy & Wiersema (1997), Timmers (1998), Wirtz (2000), Hamel (2000), Linder & Cantrell (2000), Eriksson & Penker (2000), Amit & Zott (2001), Rayport & Jaworski (2001), Hedman & Kalling (2002), Magretta (2002), Rentmeister & Klein (2003), Afuah & Tucci (2003), Afuah (2004), Osterwalder et al. (2005), Zollenkop (2006), Al-Debei et al. (2008) and Johnson et al. (2008). It is common that definitions have sub-models and they include different elements and components. For some it is a framework and others see it as a strategic instrument or a set of managerial
activities. The main focus is still to find out how a business can make money and also create value to the customers. (Wirtz 2011, pp. 60-65.)

Based on this literature review, Wirtz (2011, pp. 65-66) composed two definitions.

Business model definition by Wirtz

“A business model is a simplified and aggregated representation of the relevant activities of a company. It describes how marketable information, products and/or services are generated by means of a company's value-added component. In addition to the architecture of value creation, strategic as well as customer and market components are considered in order to realize the overriding objective of generating and preserving a competitive advantage.”

Business model management definition by Wirtz:

“Business model management constitutes an instrument for controlling a company and comprises all target-oriented activities in the scope of design, implementation, modification and adaptation as well as the control of a business model in order to realize the overriding objective of generating and securing competitive advantages.” (Wirtz 2011.)

2.2 Other definitions

“A business model describes the rationale of how an organization creates, delivers and captures value” (Osterwalder & Pigneur 2010).

“A business model is a story about how an organization creates, delivers and captures value” (Kaplan 2012).

“A business model is your company’s logic for making money in the current business environment” (Linder & Cantrell 2001).

“The story that explains how an enterprise works” by Joan Magretta (Casadesus-Masanell, R. & Ricart, J. E. 2011)
According to Peter Drucker (Casadesus-Masanell, R. & Ricart, J. E. 2011), a business model answers to the questions: “Who is your customer, what does the customer value, and how do you deliver value at an appropriate cost?”

“A business model, from our point of view, consists of four (customer value proposition, profit formula, key resources, key processes) interlocking elements that, taken together, create and deliver value. The most important to get right, by far, is the first.” (Johnson et al. 2008).

“The overall objective of a focal firm’s business model is to exploit a business opportunity by creating value for the parties involved, i.e. to fulfil customers’ needs and create customer surplus while generating a profit for the focal firm and its partners.” (Zott & Amit 2010).

2.3 Development of the business model term

Ghaziani and Ventresca (2005) made a frame analysis of business model public talk over a 25-year time period including over 1700 articles. Term “business model” appeared in business talk in 1975. The use of the term increased substantially after 1995 and the growth is explained by the digital economy booming in the 1990s. In the early stages it had several meanings and the use of the term had ambiguity. Authors analysed the terms that were used with business models and made a frame analysis. What they found out was that business models were linked to eleven different concepts. Most commonly the term business model was used together with value creation, tacit conception, revenue model, relationship management, electronic commerce and computer systems, and it was also linked to management terms such as “business plan” and “business strategy”.

In the beginning business models had strong links to computer systems and computerization but this decreased in the 1990s since it was not anymore about value in the digital economy. The term “value creation” grew to be the most popular link to business models but no term is dominant nowadays. A study indicates that no term will be replaced by business model and competing terms continue to exist. Local nuances regarding the meaning do exist but differences are seen as a positive and strengthening factor. (Ghaziani & Ventresca 2005.)
DaSilva & Trkman (2013) found out that from year 2004 onwards the term business model is used in connection with all business sectors, not just in electronic business.

Sahut et al. (2013) present in their study that a certain maturity of the business model concept has been reached. A vast increase in the business model literature has made the term clearer and more stable. The focus is now more on understanding the essence of a business model than just explaining what it is.

According to Wirtz (2011, pp. 15) there are three theoretical approaches that describe the context of the business model. They are information technology, strategy and organizational theory. See Figure 2. This summarizes the history of the context and how it developed from an eBusiness term to an extensive term that explains the whole management concept.

<table>
<thead>
<tr>
<th>Business Informatics</th>
<th>Management Theory</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Information technology oriented</strong></td>
<td><strong>Organization theory oriented</strong></td>
</tr>
<tr>
<td>- Phase II (since 1995): e-business</td>
<td>- Various organization schools (e.g. contingency theory, transaction cost theory)</td>
</tr>
<tr>
<td><strong>Establishment as basic approach of the business model concept:</strong></td>
<td>- The structuring of organizations: Mintzberg (1979)</td>
</tr>
<tr>
<td>- Since 1975</td>
<td><strong>Strategy oriented</strong></td>
</tr>
<tr>
<td>- Development parallel to the business model term</td>
<td>- Since 2000</td>
</tr>
<tr>
<td><strong>Important authors:</strong></td>
<td>- Strategic business structuring</td>
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<tr>
<td>- Timmons (1998)</td>
<td>- Business model innovation</td>
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<tr>
<td>- Wirtz (2000)</td>
<td>- Value creation</td>
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<td>- Afuah/Tucci (2003)</td>
<td><strong>Business model concept</strong></td>
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<td>- Keen/Gureshi (2005)</td>
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<td>- Tsikarin/Laari (2005)</td>
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<td>- Hamel (2000, 2001)</td>
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<td>- Chesbrough/Rosenbloom (2002)</td>
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<td></td>
<td>- Zott/Amit (2008)</td>
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</table>

Figure 2. Basic theoretical approaches for the business model context (Wirtz 2011, p 15)
Business models can be divided into different levels. An industry level is the most extensive of them all. It includes the whole business environment and external factors and is related to the Michael E. Porter’s five forces analysis. A company level concentrates on internal factors and company core competences. Larger companies can also analyse sublevels such as business units and products. If fully exploited, a company can benefit from competitive advantages in the long run. It also gives management a versatile understanding of the basis of profitability and value creation. (Wirtz 2011, pp. 66-69.)

According to Wirtz and his literature review several authors repeat the classification and there are three approaches to the business model concept: technology, organization and strategy (Figure 3). Distinguishing factor is the approach that an author emphasizes. The first approach is technology since the term was strongly linked to electronic business. Authors Timmers, Wirtz, Hedman & Kalling, Afuah & Tucci all emphasize technology with different criteria and the extent of their definitions. In the organization-oriented approach focus is on the business structure and processes. Known authors for this approach are Treacy & Wiersema, Linder & Cantrell and Tikkanen et al. They value operational knowledge in order to create value. The last approach is strategy-oriented, which is known in approaches by Hamel, Magretta and Afuah. They highlight innovation and value creation which are controlled by strategic management. (Wirtz 2011, pp. 19-58.)
3 Business model elements

Several authors have formed their business model concept from several elements that need to be taken into account in the planning process. This chapter will explain those elements more deeply.

Osterwalder and Pigneur (2010, pp.15-51) have clear building blocks of how they describe the model creation process. It gives company representatives a clear vision of what the model is and what is needed to be decided in order to generate profit for the company. They have formed a canvas from the different blocks to illustrate all needed elements in one sheet. All nine elements are shown in Figure 4. They are:

- Customer Segments
- Customer Relationship
- Value Proposition
- Channels
- Revenue Streams
- Key Resources
Johnson et al. (2008) approach this subject by saying that all their four building blocks (customer value proposition, profit formula, key resources and key processes) are connected to each other and if changes happen they affect other blocks as well. To be successful the key is to be aware of all the elements.

The most important element and the first to be defined is a customer value proposition. Likewise important is to do it with precision. In order to create a competitive advantage, a company needs to build incomparable symbiosis with its key processes and resources. This is called a profit formula. (Johnson et al. 2008.) This is also emphasized by Kaplan (2012) who stresses the importance of value creation, value delivery and capturing value.

Casadesus-Masanell and Ricard divide business model choices in two parts. First, a company makes three types of choices regarding operation, sales,
marketing, pricing etc. Casadesus-Masanell and Ricard’s choices are policy choices if they mean key actions that a company makes. Asset choices mean concrete resources in terms of manufacturing equipment or premises. The third kind of choices are related to the company administration and how decisions are made. They are called governance choices. After internal choices come consequences which result after choices are made. This process is not meant to stand still (Figure 5). When working properly a cycle is borne since consequences enable further choices. The business model becomes more powerful and reinforced. (Casadesus-Masanell & Ricart 2011.)

Figure 5. Choices and consequences, modified from Casadesus-Masanell & Ricart 2011

Variables can also be called critical capabilities that are unique and hard to copy. Success and customer value are achieved through systematic use of these capabilities. They include different activities which can be categorized in three groups. First, a company needs to be active and search for new opportunities and business ideas for experimental actions. A systematic search gives the advantage to turn these experiments into profitable business. Control and balance are needed in order to maintain a profitable status. A controlled growth and balanced use of resources are second capabilities in value creation. The last notable capability is a strong organizational culture. It unites employees and motivates them into great performances. (Achtenhagen et al. 2013.)

Itami and Nishino (2010) divide a business model into two parts: a business system and a profit model. The profit model defines the system of how a company plans to make a profit and the business system defines the tasks, i.e.
how the plan is realized. This system includes both in-house tasks and outsourced tasks. What needs to be taken into account is the level of core competence. What kind of tasks need to be performed by the company itself and what can be done by partners. Doing creates knowledge, which leads to learning experience and development. Outsourcing too much can result in knowledge outflow and it has a negative effect on future core competences.

Value creation is linked to all business model components according to Wirtz (2011). His model consists of similar elements as Osterwalder and Pigneur. They are called partial models, which are divided into three groups. Those are called strategy, customer and market and value-added components. Author emphasizes synergy between all partial models, which cannot be performed independently. Interaction and balance are needed in order to obtain sustainable, profitable value. (Wirtz 2011, pp.110-148).

This thesis study chooses Osterwalder’s and Pigneur’s (2010) building blocks to be included in a business model. Other authors have similar elements and their views are explained when matching to the building blocks. Additional elements are not considered in this research. These following elements and building blocks need to be taken into account when deciding on a business model in the case company.

The business model definition used in this study is modified from Osterwalder and Pigneur (2010) and Linder & Cantrell (2001).

*A business model is a company’s logic for making money and it describes how a company creates and delivers value.*

### 3.1 Customer segments

A company lives from customers and it is essential to identify them and categorize them into different segments. This helps understand the needs and build a model that meets them correctly. The number of segments depends on the size of the company, relationship types and how different their requirements are. The segments depend greatly on the type of the product or service, whether it is offered to mass markets or niche markets. (Osterwalder & Pigneur
Achtenhagen et al. (2013) propose activities like monitoring competitors and testing new ideas, which can result in new product innovation and new customer segments.

Customers are linked closely to value creation when they are co-creators of the service that they are buying. They can be segmented into different categories by their characteristics. By combining information from customer behaviour, profile and usage information, a company can create an overview of the customer base for business model needs. Segments should be comprehensive enough to have proper demand. (Wirtz 2011, pp. 125-127, 152-154).

Customers do not always know what they need, especially when the offering is something totally new. Authors of the blue ocean strategy define blue oceans as markets where demand is created and market offering differs from competitors. If competition is made irrelevant, it gives a competitive advantage. (Kim & Mauborgne, 2005, 15-30).

When searching for new customers, the blue ocean strategy suggests redefining customer groups. That gives a totally new market space. If current customers cannot increase their purchasing power, future customers can be so called noncustomers. Finding those customers can generate more revenue and reveal their hidden demand. Noncustomers are divided into three levels based on their purchasing willingness. They are between soon-to-be customers and unexplored customers. (Kim & Mauborgne 2005, 103, 127-142.)

Business to business (BtoB) and business to consumer (BtoC) have different characteristics. Wirtz has also defined the third service provider, administration (BtoA or AtoB). Businesses as well as administration have more professional buying behaviour and set of rules. (Wirtz 2011, pp. 152-154.) Especially in administration, procurement is controlled by Public Procurement Act.

Key questions:

What are the most important customer segments?
What type of segments are they?
What needs do they have?
3.2 Customer relationship

The level of customer relationship varies from automated to personal and the level depends on the product type and also the age of the company. If a company is new it needs new customers and when operations are well-established the focus is more on the customer retention. A relation type influences on the customer satisfaction. (Osterwalder & Pigneur 2010, pp. 28-29.)

Customer relationship management defines how relationships are organized and what the priorities are. Activities depend on whether customers are more businesses than consumers, since they have different buying behaviour. Involvement to value constellation also varies and depends on the customer concept. (Wirtz 2011, pp. 152-154.) Thinking through customer lenses can be a good viewpoint in determining what customers want from a product or service or from relationship. The buying process and also the actual product need to make an impact on the customer. It has also influence on the relationship if customers have full freedom of choice. (Parvinen 2008, 144-156.)

Key questions:

What are the customer segments needs for the level of customer service?
How are customer acquisitions done?
How is customer retention organized?

3.3 Value propositions

Value propositions are related to the product and service and they answer to the question: How does value proposition solve customer’s problem? Customers are favouring different attributes, which can be quantitative or qualitative. The key is to identify what is appealing to your customer segments. If you cannot compete with the price you most probably concentrate on the quality propositions such as brand or design. (Osterwalder & Pigneur 2010, pp. 22-25.) Johnson et al (2008) also emphasize customer value and solving the fundamental problem that their customers have. If the problem is solved in the
best possible way, satisfaction is guaranteed. Wirtz (2011, p.158) emphasize that this needs to be solved in the beginning of the model formation process.

According to Kaplan (2012, pp. 19-21) creating value is the answer to the question of what your company is hired to do by a customer? The answer lies in customers and truly in understanding what they actually need. If the service is intangible, giving something material in addition creates a positive feeling in a customer. (Parvinen 2008, 144-149.)

Understanding this need lies in a customer perspective. If a company discovers the value it should also think about the impact on the customer and the whole purchasing process. When focusing on value proposition design in a more detailed way, one option is using Value Proposition Canvas by Osterwalder et al. (2014). It focuses on a customer profile and value map. First, it describes what customers are trying to get done and if they have any problems (pains) with the process. It also clarifies customer benefits (gains) and what they want. The value map describes company offering, i.e. products and services and how they are supposed to relieve customer pains. The value map includes also gain creators, which explain how the customer will benefit from the company’s products and services. This can be visualized and an example is shown below in Picture 3. (Osterwalder et al. 2014.)
The value creation process in a firm is often explained through Michael Porter's value chain and its activities. A little different perspective is value constellation which involves all partners in the value creation process and less focus is on the company itself. Value constellation partners have different roles (supplier, distributor, general partner, coordinator) and they work together to increase customer value. (Wirtz 2011, p. 154-156.)

The market has an influence in the value proposition creation. Either there is already tight competition or the product or service is something innovative and new, without direct competition. Analysing potential customers and competitors gives direction to the company and helps sharpening its competitive advantages. (Wirtz 2011, 127-129, 169-170.)

The blue ocean strategy aims at sustainability since it proposes that value innovation should raise customer value and reduce the cost at the same time. It is achieved through differentiation. Figure 6 illustrates this combination.

![Figure 6. Value innovation according to Kim and Mauborgne (2005, 16)](image)

Service design helps organizations to discover new opportunities in business and develop new or existing services. It is a systematic process and a holistic approach in the development process. The emphasis is on the overall service,
not in an individual product. Customers search for experiences and with service design the company can add products to immaterial services or offer additional services with products. The importance of services grows all the time. (Tuulaniemi 2011, 16-29.)

Customer value consists of various elements according to Tuulaniemi (2011). Those include

- brand
- ease of use
- price
- design
- features
- accessibility
- savings
- customization
- novelty value
- risk reduction

Key questions:

What value do we deliver to the customer?
What are the benefits for the customer?
Which one of our customer’s problems are we helping to solve?
Which customer needs are we satisfying?

3.4 Channels

Channels are the ways to let your customers know you exist and make them buy your products. They are mainly direct or indirect, which means that you own and control the channels or you cooperate with partners. Your own channels are sales force, e-commerce and your own stores or partner stores or wholesaler can be used. Channel types are chosen based on financial issues and desirable value propositions. (Osterwalder & Pigneur 2010, pp. 26-27.) In other words, if channels are not working, customers do not know you exist and therefore do not buy your products or cannot find them.
Wirtz (2011, pp. 127-129) has a sub-model called “market offer” which concentrates on the environment analysis in order to understand the structure of the market and the situation between competitors. Results enable the company to adjust its business model and competitive advantages. Response time is shorter and therefore it gives company time to make adjustments to its activities. An environment or market analysis would help in identifying and finding customers that are preferable for the case company. It would also analyse competitors and their value propositions. Differentiation and finding the company’s own blue ocean (Kim & Mauborgne 2005) would be easier if a proper analysis would be available.

Key questions:

- How do we raise awareness about our products and services?
- How do we help customers to evaluate our value proposition?
- How do we allow customer to purchase our products and services?
- How do we deliver a value proposition to a customer?

### 3.5 Revenue streams

Revenue streams bring the cash to the company. Usually there are different streams and pricing tactics for different products or services. Pricing is divided into fixed and dynamic methods which have different variables. Market conditions and customer segments have influence on which methods are chosen. (Osterwalder & Pigneur 2010, pp. 30-33.)

Revenue types depend on the product of service and they can be direct or indirect, transaction-dependent or independent. A revenue strategy should be created along with the revenue types, i.e. fees, provisions. Value should be generated to all participants, company, customer and suppliers. A customer’s willingness to pay is the key in determining the company’s selling price. (Wirtz 2011, pp. 129-133.)

Profitability includes actions where revenues and costs are controlled. Is is part of management tasks to understand financial issues and key performance indicators can be used in analysing profitability. Revenue is influenced by the
strategy and customer value propositions. The company can aim at a high quality brand or price-focused brand or differentiation. (Wirtz 2011, pp. 262-264.)

Profitability is the basis for continuing business operations. It is measured with absolute and relative indicators. Those include for example operating profit (EBITDA) and return on investment (ROI). These figures are calculated from the financial statement and balance sheet. The operating profit is calculated by adding depreciations and reduction in value to the trading profit as seen in Formulas 1 and 2. (Yritystutkimus 2011.)

Operating profit (EBITDA)

\[
\text{Operating profit} = \text{Trading profit (EBIT)} + \text{depreciations & reduction in value}
\]

Formula 1. Operating profit formula (Yritystutkimus 2011)

\[
\text{Operating profit} \% = 100 \times \frac{\text{Operating profit}}{\text{Net sales}}
\]

Formula 2. Operating profit% formula (Yritystutkimus 2011)

A break-even point determines when sales have reached to the level that the business starts to make profit. The company can calculate sales targets based on this figure and if those targets are exceeded profit is generated. (Hesso 2013, 154-157.) The break-even point is calculated by dividing fixed costs with gross margin (Formula 3). (Tyni et al. 2012, p. 112)

\[
\text{Break-even point} = \frac{\text{Fixed costs}}{\text{Gross margin (Sales price – variable costs)}}
\]

Formula 3. Break-even point (Tyni et al. 2012)

A municipal business, which operates in the same field as other companies should use the market prices and cover the costs with cash flow. One example is an office rental business. This does not include special statutory tasks that are assigned to municipalities. Nevertheless profit is not the aim for public utilities but the aim is to cover costs from return on investment. (Tyni et al. 2012, pp. 89-90.)
Also The Association of Finnish Local and Regional Authorities emphasize the importance of return on investment (ROI) indicator. Public utilities calculate return on investment in two ways, see Formula 4. The first formula calculates the profit margin to the capital that a municipality has invested itself. Another formula determines the profit margin to the liabilities. (Tyni et al. 2012, pp. 121-122.)

\[
\frac{\text{revenue surplus or deficit before } + \text{ interest paid to municipality } + \text{ reimbursement to capital}}{\text{equity } + \text{ loans from municipality } + \text{ depreciation difference and provision reserve}} \times 100
\]

\[
\frac{\text{revenue surplus or deficit before } + \text{ interest paid to municipality } + \text{ other interests } + \text{ reimbursement to capital}}{\text{equity } + \text{ liabilities } + \text{ depreciation difference and provision reserve}} \times 100
\]

Formula 4. ROI-formulas (Tyni et al. 2012, 121)

Key questions:

What are our revenue types?
How will they pay?
What is our pricing strategy?

3.6 Key resources

Key resources make it all happen and they depend on the offered value propositions. All companies need physical assets to operate. Product intensive businesses need more machinery and warehouse facilities than service intensive ones. Business also depends on human resources, how much and how skilled they have to be. Intellectual resources such as brands and patents are more intangible. The final and fourth element is financial which is always needed in business. (Osterwalder & Pigneur 2010, pp. 34-35.)

Balancing available resources is essential since value is not created without funds. Investing in right people and right product development can lead to sustained value creation (Achtenhagen et al. 2013.)
Business model development is linked to the resource-based view of the firm. Notable is that only operations performed in order to generate value to the customer are essential, not just the existence of resources. (DaSilva & Trkman 2013.)

Defining core assets and core competences influence the company’s value proposition. If those are unique and hard to reproduce, it gives a competitive advantage. They can be tangible or intangible and also internal and external. When these are identified and mapped, the management can focus on developing those assets and competences. (Wirtz 2011, pp. 118-120.)

Key questions:

What key resources do our value propositions require?
What are our physical assets?
What are our financial assets?
What are our intellectual assets?
What are our human resource assets?

3.7 Key activities

Key activities keep the company running. With proper activities customers are reached and served to generate revenue. Activities are dependent on the characteristics of the industry, whether they are more related to production or service creation. (Osterwalder & Pigneur 2010, pp. 36-37.) These activities can also be called processes (Johnson et al. 2008).

Achtenhagen et al. (2013) see activities as a foundation for critical capabilities that are essential in value creation. Activities are chosen on the basis of a company strategy. As a business model is not static, changing situations need also modifications in chosen activities.

An activity system which is formed from different activities that are dependent on each other are the basis of a business model for Zott and Amit (2010). This system can be a complex one and some activities might be carried out by partners or other key associates. Design elements define what, how and who are performing which activities. Design themes are the structure of different
elements in the activity system. When seeking novelty, new or innovative linkages of activities are a focus point. Other companies aim at a lock-in effect, where activities are designed so that customers keep on coming back. Activities are more valuable to a customer if several complementing activities are offered instead of single separate ones. The fourth theme is efficiency which is related to cost-effectiveness. Activities are then designed to bring savings to the company. By focusing on activities managers decide about many of the business model design elements. While deciding on the whole system, it is essential to think about the overall picture and how different activities link with each other. (Zott & Amit 2010.) The business model can be explained through business process modeling in which actions and operations are drawn graphically (DaSilva & Trkman 2013).

Actions are related to delivering value and the company can deliver by describing the company’s operating model. Delivery is related to capabilities which the company possesses. Some of them are key enablers and other have more supportive role. In other words an operating model can be divided into smaller pieces which are core capabilities and key enablers. They reveal how a company actually produces a desired outcome and how a customer is served (Kaplan 2012, pp. 21-29.)

The production of goods and services needs many activities such as management, planning, organizing and monitoring. These competences are important to be controlled in terms of efficiency and financial issues. Dynamic processes and information flows between different actors should not be limited in terms of optimizing business model operations. (Wirtz 2011, pp. 134-135, 161-165.)

Key questions:

How do we create value proposition?
How do we reach markets?
How to we maintain customer relationship?
How do we manage our distribution channels?
How do we manage our revenue streams?
3.8 Key partnership

No company can survive alone and different partners are needed. The level of partnership can be tight, such as a joint venture or more basic e.g. a supplier contract. Key motivation to have partners is in its value creation or cost savings. It is better for a company to concentrate on its key operations and have partners in other supporting functions. (Osterwalder & Pigneur 2010, pp. 38-39.)

Procurement functions favour solid partnerships which mostly influence manufacturing and cost structure. The company can have several suppliers and inventory strategies. Modelling also procurement, the company can effectively utilize its resources. (Wirtz 2011, pp. 136-141.)

Partners contribute to value constellation and they are connected to the business in different levels. At the management level, cooperation can be at the planning level and mean common objectives. If products or services are produced together, the value constellation level is focused on activities. Added value is created together also on the resource level. Managing core competences and resources in a partner network should be recognized in a business model. (Wirtz 2011, pp. 120-123.)

Key questions:

Who are our key partners?
Which resources are we acquiring from them?
Can we do competitor cooperation?
How do we manage procurements?
How do we optimize economy of partnership?

3.9 Cost structure

All business model building blocks generate costs and the company can influence the level of the cost structure. Structures are mainly either cost-driven or value-driven. Some business models are aimed at having as low costs as possible. The other aim is concentrating on the value for which customers are willing to pay more. The industry type also determines the level of fixed and
variable costs. In manufacturing business it is typical to have high fixed costs despite the volume levels. (Osterwalder & Pigneur 2010, pp. 39-40.)

Johnson et al. (2008) combine a revenue model and cost structure under the term profit formula. They suggest that calculations are started with the price that customers are willing to pay. Then a company knows how high fixed and variable costs can be in order to achieve a desired gross margin.

The same order is suggested by Kim and Mauborgne (2005, 114-145). When benefits for the customer are clear, the company should find a suitable price which the customer is willing to pay. This leads to the cost structure and calculations on whether it is possible to produce desired services with the strategic price.

Costs are related to the value creation process in a form of manufacturing and activity costs. Monitoring of costs is not only related to the company’s financial planning but it also gives information about development areas and possible saving opportunities. (Wirtz 2011, pp. 141-143.)

Costs, as well as revenue, affect a company’s profitability. Depending on a customer value proposition and fixed costs, the level of costs can vary. Also quality issues, strategic choices and different synergies, for example economies of scale, have an impact on the cost structure. (Wirtz 2011, pp. 264-264.)

The majority of the costs in the case company generate from the real estate. Costs generate from repair fees, return on investment, insurance costs, site leasehold and also from the maintenance. It is also possible that the tenant participates in maintenance costs directly and pays e.g. electricity and heating costs. The distribution of costs is agreed in lease agreements. (Tyni et al. 2012, pp. 92-97.)

Key questions:

What are our fixed and variable costs?
How do we benefit from economies of scope and scale?
Which key resources and activities are most expensive?
The next chapter studies business model development and what the process of business model design should be like.

### 3.10 Developing a business model

This chapter discusses the development and innovation process. The first phase is usually idea generation, which is followed by a feasibility analysis. Possible prototypes, which in this study are called options are created. These all prepare a company for decision making which leads to the actual implementation of the chosen business model.

In Figure 7 Wirtz (2011, pp.196-198) presents the process of designing a business model. It starts with idea generation, which helps in forming rough grounds for the business model. Several techniques can and should be used to collect all possible ideas for future processing. The most common techniques used are brainstorming, method 635, synectics and morphological box. In this research the morphological box is used because it helps listing required parameters of the model and then listing of all possible alternatives (Mathys Ltd Bettlach 2006).

![Figure 7. Business model design process: 1) idea generation 2) feasibility study 3) prototyping 4) decision-making (Wirtz 2011, 198)](image)

In this study a narrowed feasibility study will be drawn from existing documents. Choosing the right business model is essential for managers to thrive. In addition to that, it also needs to be put into action successfully and
modifications should be made if circumstances change in the current business environment. (DaSilva & Trkman 2013.) Zott & Amit (2010) define the business model selection to be a very important task since after decisions it is more complicated to change activities and resources into something different.

Osterwalder and Pigneur (2010, pp. 135-145) call the idea process “ideation”. When creating a new model it is important to collect as many ideas as possible, then later narrow them down to few viable ideas. The aim is not to analyse the present situation or replicate competitors, but to think outside of the box. One can choose different viewpoints and start ideation e.g. from a customer or resource-driven angle.

Business model innovation is a key to find a suitable model to commercialize a technology. If not found, it does not generate value of profits. In old businesses it might only require modifications if there are signs that the current model is out of date. Yet all innovations might not suit the company strategy and fail, but it should not prevent a company from doing more experiments. (Chesbrough 2010.)

The blue ocean strategy, created by Kim and Mauborgne (2005, 12-18) emphasize the strategy that is concentrated on value innovation. They ignore competition benchmarking and look for ideas that make competition irrelevant. Innovation does not have to be technical, but it is a niche of a market that has not been utilized before. It can be another way of doing things.

Many companies also fail in business model innovation due to various reasons. Kaplan (2012, pp. 40-49) has found out that failures and problems start from management non-commitment. They either do not want a new model or they knowingly leave the decision to the successor. In today’s fast business environment it is not possible anymore to follow the same model. Companies also fear that new business models endanger the current one and see innovation more as a risk than an opportunity.

A feasibility study should follow ideation. It describes the environmental situation, industry and the current market situation. Also competitive analysis should be made. Analyses will deepen the existing knowledge base, and give
ideation a more concrete base for further development. The feasibility study means data collection from areas that affect future business. Data collection models can be used. For a competitive analysis Porter's Five Forces Model can be used. (Wirtz 2011, pp. 198-202.)

Hesso (2013, pp. 34-46) emphasises the feasibility analysis that guarantees success. An external analysis can be formed using common PESTEL analysis (political, economic, socio-cultural, technological, environmental and legal). Since the case company is a municipal subsidiary, political environment has a lot of weight in decision making. Other elements will be analysed also.

Prototyping different business model ideas gives the decision makers an overview of the possible business model options to choose from. Ideas are then developed into more concrete proposals. Visualisation is helpful in understanding the big picture and Osterwalder's Business Model Canvas can be used in this phase. Prototyping estimates the elements of the different building blocks to see if there is any potential to make business profitable. (Osterwalder & Pigneur 2010, pp. 160-167.)

Every business is influenced by its external environment which should be evaluated in the model creation process. A market analysis describes customer segments, their needs and bargaining power. A competitive analysis outlines competitors, substitute services and other key actors that could influence the business. A trend analysis estimates both social and technological trends that could be emerging in the future. Finally macroeconomic forces explain the overall market situation and global aspects. (Osterwalder & Pigneur 2010, 200-211.)

Osterwalder and Pigneur (2010) describe this as a designing process and they have created six techniques which are customer insight, ideation, visual thinking, prototyping, storytelling and scenarios. The focus of the thesis is to concentrate on the first three tasks and develop model options. This will give a foundation for the decision-makers to choose a model that suits their objectives the best.
Parvinen (2008, 173-175) has defined three types of business models. A project business model has time limits and the product or service cannot always be accurately defined. In a product business model money and goods change rapidly. The third is a service business model where the customer is in a long relationship with the company and service is created all the time. Choosing the right business model type is a strategic decision together with understanding core competences.

The case company has two dimensions. A large amount of the capacity is reserved by one key customer, the theatre. The service business model applies here since customer relationship is long and there is a constant need of services. Parvinen emphasizes that the premise for success lies in communication capabilities, reliability and in deep relationship (Parvinen 2008, 176).

On the other side there are individual seminar organizers who fall in the category of the project business model. Planning a seminar needs time and often a project organization. The company must adapt to this and offer different kind of service. Characteristics of this model are references and creating a demand. Risks are higher, and require capabilities such as structural and financial efficiency. (Parvinen 2008, 176.)

3.11 Real estate management and entertainment shopping

This chapter reveals what is essential for a real estate company to succeed in business. The perspective is chosen so, that a real estate is not a single company but a part of a larger business, which in this case is municipality. The case company’s main line of business according to its articles of association is letting of the real estate. The viewpoint of facility management, which is closely linked to real estate management, has been left out from this literature review since the company itself prefers the term real estate.

A shopping centre will be a key partner in doing business and research also shows what elements are important in retail business and in customer value. Theatre services will be a big part of retailltainment in the new shopping centre.
The corporate real estate is not commonly used when describing organizations’ competitiveness and competitive advantages. There are techniques which could improve this link. As a corporate real estate manager, the emphasis should be on the development of the business strategy that is the foundation of a competitive advantage. The corporate real estate should be seen as an important resource, since it is a concrete space providing premises to do business. Real estate management practices are also a resource. How these tasks are performed has an influence on the competitiveness. A model for a competitive corporate real estate indicates that focus should be on cost and differentiation combined with innovation. The corporate real estate management practices that are performed at an operational level are derived from strategies like marketing strategy. The location of the real estate is important and strategic together with the ownership type. Understanding that the corporate real estate has a positive effect on competitiveness, it can lead to a strategic fit where all business functions are optimized to lead towards common goals. (Heywood & Kenley 2008.)

Real estate practices have suffered from weak links with general business strategies in firms where it is not the main line of business. There might not be a real estate strategy or if it exists it does not have any connection with the overall strategy. It should be noted that also the real estate gives value to the company. With a real estate strategy it is possible to organize operations to support general objectives. Right real estate decisions can positively grow revenues when they are in connection with sales promotion, employee satisfaction etc. Measurement should be chosen with care, so that it reveals added value to the company. The chosen measures must be essential in relation to the core business and support company objectives to the fullest. (Lindholm & Leväinen 2006.)

Biztainment is value-added entertainment which is added to goods and services. Several industries use this method to gain competitive advantage and those are e.g. agriculture, manufacturing, retail, restaurants, hotels and telecommunication. In retail business or in other words “retailtainment” successful companies have been Nike with interactive Niketown stores, Build-A-
Bear with personalized teddy bears and Mall of America, a shopping centre filled with entertainment. In summer 2014 attractions in the Mall of America were Star Trek exhibition, Lego Store, Sea Live Aquarium, The Beatles exhibition, 14 movie theatres and many more. Modern business companies should build their strategies so that they combine basic selling with services and think of the customer value and how they are served, not just what they are purchasing. (Newsom et al. 2009, Mall of America.)

People who enjoy shopping the most are usually recreational browser shoppers. They tend to make large number of purchases, some of which are unplanned. They enjoy the purchasing process, the whole atmosphere of the retail store and total experiences. Attractiveness of the shopping environment has an impact on the purchasing process and decision making. Positive emotions come also from store location, parking facilities and purchasing assistance since time constraints affect most of the potential customers. (Kim & Kim 2008.)

Research from Fiore and Kim (2007) indicates that shopping is more than purchasing goods, it is fulfilled with experiences. People are emotional and shopping is related to either a consciousness-emotion-value or a cognition-affect-behaviour model. Holbrook (1986) explains the differences. The cognition-affect-behaviour model emphasizes brands and purchase decisions. The consciousness-emotion-value model takes into account also unconscious feelings and beliefs such as fantasies and memories. These all influence purchase decisions along with shoppers’ personality, shopping environment and social factors. Since shopping has multi-dimensional nature, there is a growing demand towards entertainment linked to the shopping experience. Customers search and gain both experiential and utilitarian value from shopping. (Fiore & Kim 2007.) This is a good example of service design and how it is linked to customer experiences. Tuulaniemi (2011, pp. 74-82) also emphasizes the three levels of experience: actions, feelings and significance. A shopping mall can be seen as a service path with different service points who consume services and buy products.
A study made in the U.S. shopping centres, especially in tourist regions, considers tourists as one of their most important customer segment. Some centres focus on tourists more than others. Shopping centres need to investigate the segment, which generates more profits, local residents or tourists and what the marketing investments on those segments are. For tourists shopping is their primary or secondary activity. During a holiday they seek positive experiences and memories and do not hold similar shopping behaviour that they would have at home. Tourists seek for uniqueness and quality items and can spend more money than usual. Therefore shopping centres entertainment strategies are important. The strategy should combine elements like service and product mix, combined with entertainment factor. This boosts customer satisfaction. Marketing efforts for local residents and tourists should nevertheless be in balance, since the study showed that resident shoppers have higher customer satisfaction than tourists. Locals are an important segment considering revenue and profits and they should not be mishandled. (LeHew & Wesley 2007.)

Even though this research has not concentrated on the strategy, it is essential to be constantly aware of the city strategy and not extract real estate out of it. Indirectly the new cultural services that the case company enables are implementing the city vision which emphasize that Lappeenranta is a tourist city. (Lappeenrannan kaupunki 2014.)

Biztainment in a new shopping centre is created with strong collaboration with other companies. Key partnerships are essential in a new business model. They also influence the value proposition. Customer value in this real estate is not created alone. But as Kim and Mauborgne (2005) state, customers do not always know what they need, especially when the offering is something totally new. Creating awareness will be one of key activities before sufficient customer base is achieved.

4 Theoretical propositions

The literature review outlined a vast definition of the business model concept. Business Model Canvas from Osterwalder & Pigneur (2010) was selected to be
the basis of the case company’s business model and its elements were explained in more detail. These nine elements act as a framework for explaining the business model concept in this study.

In this study the case company will get a recommendation of the best possible business model which would create most value to the customers. Business Model Canvas elements and key questions are described below in Table 1. By answering questions it is possible to find answers to the elements.

<table>
<thead>
<tr>
<th>Business model element</th>
<th>Key questions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customer segments</td>
<td>What are the most important customer segments?</td>
</tr>
<tr>
<td></td>
<td>What type of segments are they?</td>
</tr>
<tr>
<td></td>
<td>What needs do they have?</td>
</tr>
<tr>
<td>Customer relationship</td>
<td>What are the customer segments needs for the level of customer service?</td>
</tr>
<tr>
<td></td>
<td>How are customer acquisitions done?</td>
</tr>
<tr>
<td></td>
<td>How is customer retention organized?</td>
</tr>
<tr>
<td>Value proposition</td>
<td>What value do we deliver to the customer?</td>
</tr>
<tr>
<td></td>
<td>What are the benefits for the customer?</td>
</tr>
<tr>
<td></td>
<td>Which one of our customer's problems are we helping to solve?</td>
</tr>
<tr>
<td></td>
<td>Which customer needs are we satisfying?</td>
</tr>
<tr>
<td>Channels</td>
<td>How do we raise awareness about our products and services?</td>
</tr>
<tr>
<td></td>
<td>How do we help customers to evaluate our value proposition?</td>
</tr>
<tr>
<td></td>
<td>How do we allow customers to purchase our products and services?</td>
</tr>
<tr>
<td></td>
<td>How do we deliver a value proposition to a customer?</td>
</tr>
<tr>
<td>Revenue</td>
<td>What are our revenue types?</td>
</tr>
</tbody>
</table>
These questions are the framework for the creation of business model options. Different possible but realistic options are searched in the empirical part, so that model options have different characteristics. In Part III the questions of Table 1 are used as a basis for business model options creation and in workshops.

By answering these questions a logic for profitable business operations should be found and a description of a business model i.e. “A business model is a company’s logic for making money and it describes how a company creates and delivers value” is achieved in the case company.
PART III - EMPIRICAL STUDY

5 Business models in the city group and a feasibility study

This chapter briefly introduces business models of the organizations related to the case company. Those include the city theatre and the business model of the Lappeenranta hall. A feasibility study and a detailed description of the collection of empirical data are also included in the chapter.

5.1 Current business model in Lappeenrannan Teatterikiinteistö Oy

The case company was founded in 2013 and building of the premises for the theatre started. Currently the company’s main line of business is owning and renting a real estate and leasing it for theatre operations. It can also own, rent and manage other real estates and practice other business related to its main line of business. (Lappeenranta City council §49 2013.)

During the writing of the thesis the premises were still under construction. Therefore it was not possible for the case company to actually practice its main line of business. The new building should be ready and in operation in late 2015 or early 2016, so it is necessary to start searching for clients in early 2015.

5.2 Current business model in the city theatre

Lappeenranta city theatre organized 201 own performances in 2013 and there were eight premieres. Occupancy level in the main hall was 46% and in the small hall 46%. The theatre has its own theatre building and rental of premises to outsiders is minimal. Financially the theatre needs more funding than what the total income from ticket sales is. In 2013 the total income was 572,000 euros and total expenses were 3,327,000 euros. In 2012 and 2013 the total operating loss was approximately 2.7 million euros. A large share of the city theatre funding is financed by tax revenues and state subsidy. Lappeenranta has a theatre that is subsidised by law. In general the share of the state subsidy accounts for 36% of the total income. In 2013 the net operating cost per one inhabitant was 38 euros. (City of Lappeenranta, Tilinpäätös 2013)
Value proposition is produced by the resources of the theatre and the theatre has only minor share of visiting performances. Customer value varies between different performances or the theatre has not found the right channels to reach all customers. According to Theatre Info Finland (2013) the average occupancy level is 66,5%.

Sales were previously operated by theatre manager, marketing manager, financial manager, theatre secretary, producer and ticket sales office. Due to structural changes in the city administration in 2014 several people from the theatre administration moved to other offices and for example ticket sales in the City of Lappeenranta are more centralized. Also the marketing personnel is centralized into one department which serves the whole city. This means that key resources that were within the theatre are no longer available full time. Administrative services are still available to all city departments but those resources are more shared due to savings scheme.

Activities in the city theatre include acting in performances, rehearsals, building props and set design. Key activities will remain within the city theatre but supporting activities are performed in administrative services as mentioned earlier.

The city theatre will move into the new building and continue its operations there but there is a need to capitalize the remaining capacity since costs from the building loan need to be covered.

5.3 Current business model in the Lappeenranta hall

The city of Lappeenranta rents a concert/seminar hall i.e. the Lappeenranta hall (691 places). It is situated in the City Hall, in the city centre. Its business model is explained here because is it closely linked to offerings by the City of Lappeenranta. Companies and organizations can organize concerts and seminars there against a renting fee. A typical customer is an artist or a seminar organizer. It is also estimated that the Lappeenranta hall and theatre halls will have large synergy benefits. Information about the business model of the Lappeenranta hall was received by interviewing a caretaker.
The Lappeenranta hall does not have direct local competition. The Culture house Virta in Imatra is similar to the Lappeenranta hall but it is smaller having about 500 seats. The Lappeenranta University of Technology has a Viipuri hall for rent and it also has 500 seats. Lappeenranta Student House has 450+250 seats for rent and the Saimaa University of Applied Sciences has an auditorium of about 200 seats. The newest place is Holiday Club Saimaa but its premises are more suitable for meetings. It does not have an auditorium but its arena can fit up to 1750 people.

The Lappeenranta hall operates approximately 190 days per year and there are about 110 different events held yearly in Lappeenranta hall. Events are either conferences or cultural events. Caretakers in the City Hall have been responsible for the sales and technical issues. There is only one technical person working full time in the Lappeenranta hall. The capacity level is near the maximum level with current resources.

The Lappeenranta hall has not had any special marketing or sales strategy and exact costs are not calculated either. Expenses from the Lappeenranta hall are not calculated separately in the bookkeeping. Profits and expenses from all meeting services are at the same cost center. Renting fees help in keeping up with the total budget. The Lappeenranta hall has relatively big fixed costs because it has more square meters than other meeting rooms. The biggest costs include rent and cleaning. According to an interview renting prices are on an average level in relation to the number of seats. The target profit is set in the yearly budget but exact net profits are not followed. Profits do not cover all expenses but it is not even an objective. It is part of the city services that are provided to citizens.

Customer segments are not defined in detail and the only segmentation is on the price list. The renting price depends on the venue. It is more expensive if the event sells tickets and gets profits. Another dimension is locality. If a customer is local, the price is cheaper than if the customer is not from Lappeenranta. A customer cannot affect the pricing otherwise since it is fixed and decided by the city administration. Before 2014 it was also possible to request a discount of the renting prices but this practice has been cancelled.
This was used mainly with local associations who organized events in the form of fundraising.

External customers are mainly artists or other companies who organize concerts. Performances can also be stand-up shows, dance shows or other theatre-like shows. Another customer group is companies who organize seminars. Also internal customers are popular and they organize e.g. seminars or lectures. The artist industry is relatively small in Finland, so good reputation travels fast and generates customer leads. Some customers have become regular clients. Also some seminar organizers book the hall every year. This means that a large number of customers is regulars and they organize their events in the same place for many years in a row.

As for regarding channels, the city is doing direct selling. The Lappeenranta hall has a web page under the city internet pages. It does not have its own pages. From these websites it is possible to see the layout of the hall, technical features, prices and reservation terms. The reservation calendar (WebTimmi) is online and open to everybody. It is updated regularly, whenever a reservation is made. Basic information is also presented in the websites of the marketing organization goSaimaa, which provides information for tourists. In 2011 and before, advertisements were used in special publications but not anymore. The Lappeenranta hall benefits from unofficial, word of mouth advertising.

The City of Lappeenranta does not have a sales manager and caretakers have no special sales training. They know the hall very well and can provide information regarding the premises. Selling is inactive and the hall is rented if someone asks for it in the first come - first served principle.

Key account management is used since almost all event organizers need special help with technique and other details. It is a normal practice that one of the caretakers takes responsibility for one event in order to have the full picture of all arrangements and the customer will also have one key contact. All selling needs customization. There is no CRM (Customer Relationship Management) tool used which would save all customer data and their preferences.
The Lappeenranta hall is currently managed by the customer service team of Lappeenranta and the aim of the city is to find synergy benefits and cost savings by combining processes within the city government. The customer service team could also manage the sales of the new theatre halls.

5.4 Feasibility study

It was decided that a narrowed feasibility analysis is made to describe the current situation. The structure of analysis is shown in Figure 8. Information was received from the managing director, written sources and from interviews. This thesis describes shortly the environmental situation, the industry and the current market situation. Competition is analysed via Porter’s Five Forces Model. (Wirtz 2011, pp. 198-202.)

Figure 8. Phases of feasibility analysis (Wirtz 2011, 199)

The environmental analysis consists of different elements such as technological, regulatory, economic and social environment (Wirtz 2011, 199). The new building will use all the latest possible technique, which are available under the tight budget. It is estimated that the new building is modern, safe and have good ergonomics and the layout of the theatre is logical and reachable. In the construction phase all necessary regulations are followed and cost savings especially in maintenance are pursued in the future. Energy efficiency is important to the whole city and in new building projects this is taken into
account. Socially this new building has received a great deal of attention. The old theatre building is in a poor condition and it is not practical. The building decision was made while there was, and still is, public discussion whether this investment is justified. The allocated funds of Lappeenranta to the investment plan are limited and there is constant discussion about the contents and scheduling of the plan.

Tables 2 and 3 below, show information about profitability in two of the biggest customer segments. The information is based on reports of Toimiala Online. It is estimated that most of the customers come from creative, arts and entertainment business (later entertainment business) or they are organizing conventions and trade shows (later trade show business). The tables show that trade show organizers are more profitable than companies in entertainment business. Return on investment (ROI) has decreased in both industries but unlike entertainment business, trade show business is still giving return on the capital invested. The operating profit has decreased 8.8 % units in entertainment business in six years while trade show business has almost been able to maintain the level of year 2006. It has decreased only 1.6 % units. Notable is also the number and turnover of the companies. Even though the profitability of entertainment business has decreased from 2006, the number of businesses has increased from 2085 to 3016. An average turnover in this industry was 116 000 euros in 2012. The number of businesses in trade show business is much lower, 286 in 2012 and their average turnover was 633 000 euros.

<table>
<thead>
<tr>
<th>Key figures by industry and size category</th>
<th>All size categories (average)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2006</td>
</tr>
<tr>
<td>Number of enterprises in distribution</td>
<td>2085</td>
</tr>
<tr>
<td>Turnover/enterprise EUR 1,000</td>
<td>74</td>
</tr>
<tr>
<td>Gross margin percentage</td>
<td>88</td>
</tr>
<tr>
<td>Operating margin ratio</td>
<td>11</td>
</tr>
<tr>
<td>Return on Investment %</td>
<td>9</td>
</tr>
</tbody>
</table>

Table 2. Profitability trend in creative, arts and entertainment activities (toimialaonline.fi)
Table 3. Profitability trend in organization of conventions and trade shows (toimialaonline.fi)

The theatre itself does not have direct local competition but it competes with other theatres nationally. Theatres that are located nearby had different number of spectators in 2013 and Lappeenranta did not succeed very well in the competition. Theatres and related numbers of spectators are: Imatra (18014), Kouvolva (42295), Kotka (32045), Mikkeli (53321), Lappeenranta (31403). (Theatre Info Finland 2013.) There were only few listed cultural halls in South Karelia in 2014: Konserttihovi, Imatra, Cultural House Virta, Imatra, Lappeenranta hall, Lappeenranta, Lappeenranta Student house. (Tilastokeskus 2014.)

The case company aims to maintain the occupancy level as high as possible and it has to compete as for different performing artists with other cities. The customer base in Lappeenranta is also a challenge. If different events are organized every day of the week, a question arises that are there enough customers to all events?

Convention and trade show business is different since customers may come from all over the country, depending on the theme. Together with the Lappeenranta hall, the case company would have a good combination of premises to be a venue place for different conventions or seminars. Challenges rise from the geographical location. Are participants willing to travel all the way to Lappeenranta and do the transportation possibilities support Lappeenranta as a location for these events?

The new theatre was seen to have big potential and many benefits compared to the old theatre. Financially it is an investment in the future and overall development of the city centre. It should be a cultural centre and not just a
Locational benefits bring it closer to the general public and new conditions enable versatile usage of the theatre halls.

Porter’s Five Forces Analysis evaluates the situation among competitors and possible pressure in achieving profitability and market share. The analysis evaluates the threat of new entry, rivalry between established competitors and substitute products. It also highlights the power of suppliers and customers. The analysis is presented in Table 4. (Grant 2010, 69-77.)

<table>
<thead>
<tr>
<th>Supplier power - high</th>
</tr>
</thead>
<tbody>
<tr>
<td>● owners power in supplier contracts</td>
</tr>
<tr>
<td>● limitation in technical resources</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Threat of entry - low</th>
</tr>
</thead>
<tbody>
<tr>
<td>● capital intensive establishment costs</td>
</tr>
<tr>
<td>● no learning curve advantage</td>
</tr>
<tr>
<td>● possibility to product differentiation</td>
</tr>
<tr>
<td>● risk in retaliation exist</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Industry rivalry - high</th>
</tr>
</thead>
<tbody>
<tr>
<td>● new competitor in the market</td>
</tr>
<tr>
<td>● less diversity</td>
</tr>
<tr>
<td>● product differentiation is low</td>
</tr>
<tr>
<td>● seasonal demand</td>
</tr>
<tr>
<td>● high exit costs</td>
</tr>
<tr>
<td>● high fixed costs</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Threat of substitutes - medium</th>
</tr>
</thead>
<tbody>
<tr>
<td>● competition between other cities</td>
</tr>
<tr>
<td>● propensity to substitutes exist</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Buyer power - medium</th>
</tr>
</thead>
<tbody>
<tr>
<td>● price sensitivity is high</td>
</tr>
<tr>
<td>● price comparison is easy</td>
</tr>
<tr>
<td>● bargaining power exist</td>
</tr>
</tbody>
</table>

Table 4. Five forces analysis

6 Research methodology

This chapter introduces the collection of empirical data and how this data is analysed.
6.1 Collection of empirical data

In a case study research six sources of evidence can be used (documentation, archival records, interviews, direct observation, participant-observation and physical artefacts). Not all need to be used but using as many as possible enhances reliability and validity of the research. Documentation such as letters, administrative documents, agendas and minutes and other types of documents definitely play an important role in the collection of data. Critical perspective should not be forgotten when using these documents as a reference. The same goes with archival records such as organizational records, charts, survey data. Relevance to the research question should be evaluated while searching and reading different documents. This case study uses documentation, archival records and interviews. (Yin 2009, pp. 101-106.)

At first, a pre-research was conducted in order to find out more about the case company and the research problem. Data was obtained from the company and from the City of Lappeenranta internet pages. Documents were mainly reports and minutes from city council and city board meetings. An unofficial meeting was held with the managing director/company instructor in order to clarify the actual problem and to specify the needs and requirements of the case company. First it was planned that a business plan should be created in this study, but this starting point was reassessed as it became evident that the business model itself needs clarification and should be studied first. The business model ought to be decided before it is possible to make a more detailed business plan.

Empirical data was collected in two phases. First, business model options were developed together with the case company management. After this semi-structured interviews were made in order to find out which business model option is regarded to be the best by the city management and other stakeholders and which could be taken into closer analysis.

First, four workshops (9, 16, 19 and 25 September 2014) were organized in order to collect the participants’ ideas of different business model options with an interactive working method. The documentation method was the
morphological box technique. The managing director and two board members formed this ideation group. Business model parameters were gathered in a table column. Then all possible alternatives were written next to the parameter, each in its own cell. When all alternatives were marked, possible combinations could be searched and then evaluated. (Mathys Ltd Bettlach 2006.) After the third workshop, all data was saved also in a form of a mind-map to have another viewpoint on the collected material. In the fourth workshop this mind-map was reviewed to see if some parameter would need more clarifying or if some questions were not answered yet.

Each business model building block had its own key parameters. This morphological box could be drawn and saved in a spreadsheet. The data was saved and documented and the information was used in order to form model options. These options will follow the design of Alexander Osterwalder and his Business model canvas (Osterwalder & Pigneur 2010). Chosen combinations were taken into a closer analysis, so that model options could be formed. Table 5 illustrates an example of the parameters for the morphological box.

**BUSINESS MODEL BUILDING BLOCK** e.g. Customer segment

<table>
<thead>
<tr>
<th>Parameter</th>
<th>Alternative 1</th>
<th>Alternative 2</th>
<th>Alternative 3</th>
<th>etc.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Market</td>
<td>Mass</td>
<td>Niche</td>
<td>etc.</td>
<td></td>
</tr>
<tr>
<td>Segment</td>
<td>Event organizers</td>
<td>Artists</td>
<td>Shopping mall visitors</td>
<td>etc</td>
</tr>
<tr>
<td>Experience</td>
<td>Emotional</td>
<td>Relational</td>
<td>Experimental</td>
<td></td>
</tr>
<tr>
<td>etc.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Table 5. Example of morphological box

The fifth workshop (3rd October 2014) was organized with the same group in order to choose three business model options for the further analysis. The Business Model Fiddle program was used in order to document the selected business model elements. The Business model Fiddle program enables the visualization of Osterwalder’s Business model building blocks which were used in this research. (Business Model Fiddle.)
In this research semi-structured interviews were used since they are common and proved to be relevant in case study research. This method gives flexibility as all questions are not fixed. To obtain more detailed opinions, follow-up questions can be asked. All interviews were conducted individually. Group interviews were not used because individual viewpoints were considered important to be collected and analyses. (Hancock & Algozzine 2006.)

Interview questions were drawn up based on the business model options and the interviewees were asked to evaluate and score the presented models. This part of the interview follows a case study protocol. Time was left for more open discussion which can elaborate the reasons for a preference of certain model options. All interviews were recorded and then transcribed. (Yin 2009, pp. 106-109.) Interview questions are presented in Appendix 2 and 3.

The business model options were presented during the semi-structured interviews and the interviewees were asked to choose the best model and also score all models and give them a total of 10 points. The interviewees were also asked to explain and justify their selection. In discussion it was estimated that the interviewees gave their ideas on how they would like the company to operate. At this point they had only their opinions and wishes but not real examples yet. This is because the case company has not yet started its actual business operations.

The number of interviewees was selected based on the level of involvement. The board members of the company were interviewed and also the managing director. Other officials, who were estimated to have influence on the theatre operations, were also selected to be interviewed. Eleven interviews were made and details are given in Appendix 4. All interviewees have a contact with the case company or city theatre. Due to time constraints, interviews were limited to eleven even though more people were suggested by the interviewees. Saturation increases with the growing number of interviews and it was noticed that new information did not emerge very much towards the end of interviews.

As mentioned before, an exactly similar concept does not exist in Finland but there are several businesses which can be used as benchmarking targets. The
business model options were also presented to other businesses and key partners who are called stakeholders in this study. It was decided together with the case company which companies would be chosen and approached with an interview request. Businesses were chosen from different fields: real estate, retail, theatre and culture and event production. They were also asked to choose the best model and score all models. This was done by using a semi-structured interview. The evaluation of the business model options is structured and stakeholders were asked to explain and justify their selection. The emphasis on discussion themes was different since these companies or entrepreneurs were already in operation. Open questions concentrated on the best practices and collected recommendations of what should be done and in what way. Eight interviews in total were made with stakeholders and details are explained in Appendix 4.

The discussion themes included questions about the importance of a business model, how other companies value the concept of the business model and what we can learn from them. These answers complement the case company managers opinions and preferences and can predict whether some decisions would be acceptable in actual decision-making. The purpose was to fully understand their business model landscape. Opinions about the business model concept were asked from the city officials also. Results help in analysing the factor whether it is useful to have a unified concept for presenting business models within the city group.

Several meetings were held with the case company and the managing director acted as an instructor. He also provided material and documents for empirical data collection. The following topics were discussed in the meetings:

- Research question was discussed and decision of the research was made (May 2014)
- Meeting with the chairman of the board and the managing director. Discussed the delimitations and timetable (June 2014)
- Meeting with the supervisor from Saimaa UAS together with the managing director. Discussed the objectives of the research (4 August, 2014)
• Practical meeting where workshop timetable and themes were discussed (26 August, 2014)
• Practical meeting with the managing director to discuss the selection of interviewees (27 October, 2014)
• Practical meeting with the managing director to discuss timetable (7 November 2014)
• Practical meeting with the managing director to discuss details of the report (16 December 2014)
• Practical meeting with the managing director to discuss the report (2 January 2015)
• Meeting with the managing director to discuss the results (22 January 2015)

Data collection included also internet search which aimed at collecting as much information from business model creation as possible. Related websites were studied in order to find out background information from interviewed stakeholders. Altogether 41 pages of transcribed data were received from 19 interviews and 24 hours 15 minutes of recordings.

6.2 Analysis of empirical data

The most eligible of the analysing techniques is pattern matching. In this technique study proposition variable results are evaluated against predicted results. If they match the original hypothesis is confirmed. (Yin 2009, pp. 136-141.)

In the case study a content analysis is often used. Empirical data is categorized into smaller segments and they are further categorized. The theory based categorization is used and business model elements are chosen as the main set of categorization. (Kananen 2013, pp. 103-113.)

In this study also an inductive logic is used. It is common in qualitative studies and an induction means that the research starts from empirical point of view. (Kananen 2013, pp. 48-49.) Since the aim is to find a suitable business model for the case company, it should not rely only on existing models. The attempt is
to find innovative ideas from the empirical data, so that the business model has a competitive advantage.

Key points from the most popular business model option was formed in a form of a SWOT analysis which clarifies the strengths, weaknesses, opportunities and threats of the business ideas. (Hesso 2013, 68-69.)

The analysis was made further with a TOWS matrix, which was introduced by Weihrich in 1982. It will deepen the analysis and link internal attributes concretely with external attributes. This method does not leave the SWOT analysis results external from the business idea, but it requires linkages and thorough judgement from the management of the company. Table 6 is adapted from Ruocco and Proctor and it explains the relations between SWOT attributes. (Ruocco & Proctor 1994.)

<table>
<thead>
<tr>
<th>TOWS matrix</th>
<th>Strengths</th>
<th>Weaknesses</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>No 1:</td>
<td>No 1:</td>
</tr>
<tr>
<td></td>
<td>No 2:</td>
<td>No 2:</td>
</tr>
<tr>
<td></td>
<td>No 3:</td>
<td>No 3:</td>
</tr>
<tr>
<td>Opportunities No 1:</td>
<td>example: How do we use strength No 1 to maximize opportunity No 2?</td>
<td></td>
</tr>
<tr>
<td>Threats No 1:</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>No 2:</td>
<td></td>
</tr>
<tr>
<td></td>
<td>No 3:</td>
<td></td>
</tr>
</tbody>
</table>

Table 6. TOWS matrix modified from Ruocco and Proctor (1994)

The recommendations of the best suitable model are made based on the analysis. Analysing process will give arguments, on why the chosen elements are suitable for the case company.

### 7 Business model options and evaluation

Three business model options were formed together with the key persons from the case company in several workshops. All possible elements were gathered with the help of the morphological box in a spreadsheet. The questions of the
morphological box are explained in theoretical proposition. From the answers they formed three business model alternatives which in this thesis are called options. All of the choices could be chosen but at this point they were not ranked by the workshop participants.

All three options are explained in detail in this chapter. The options are shown also through Business Model Canvas (Osterwalder & Pigneur 2010). These figures have original answers in Finnish language, since that is the reporting language of the case company. The answers in Finnish are presented in Appendix 3. The translated answers in English are presented below.

7.1 Option 1: Only one tenant (tenant model)

Option number 1 has a customer viewpoint. It was seen by the workshop members that there could be only one customer. It is possible that one organization will rent the whole real estate. This organization will then have the full operating power to manage and sublease the premises to actual users and/or use the premises itself.

An external organization will have a financial risk, since it has to cover costs by renting fees. One benefit is that the city theatre will be a pre-agreed tenant and part of the renting fee is covered at all cases. Value proposition covers purely renting of premises: theatre halls and a lobby. The city theatre will of course rent working rooms and social space for their personnel in all model options. Otherwise the theatre could not function properly.

For the case company this option will be the easiest to manage and it ties the least amount of resources. The case company will have only one customer to work with and no extra effort is used on channels and customer segments. The one-to-one relationship with the only customer is tight and covers all actions regarding customer relationship. It was estimated that no own channels are needed, since reaching customers would be the task of the tenant.

It was estimated that one person maximum will be employed by this company to take care of all practicalities and relationship with this one customer. Human resources would be limited and also financial resources. The case company will
have turnover only from the renting fee. If the fee does not cover all costs they have to rely on the public city funding. Physical resources include the real estate.

Real estate management will stay under the case company’s responsibilities and therefore Citycon (owner of the shopping centre) will be one key partner. Compulsory costs derive from fixed costs such as absolute net rent, ground rent and financial expenses. Also maintenance costs, repair fees and human resources are included in fixed costs. Option number 1 is seen in Figure 9.

<table>
<thead>
<tr>
<th>Key partners</th>
<th>Key activities</th>
<th>Value proposition</th>
<th>Customer relationship</th>
<th>Customer segments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tenant</td>
<td>Managing customer relation</td>
<td>Rent: halls, lobby and</td>
<td>Personal contacts</td>
<td>Main tenant is the</td>
</tr>
<tr>
<td></td>
<td>Real estate management and</td>
<td>other spaces are rented</td>
<td></td>
<td>only customer</td>
</tr>
<tr>
<td>Shopping centre (Citycon)</td>
<td>maintenance</td>
<td>together</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Benefit: Customer controls</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>to whole real estate</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Key resources</td>
<td></td>
<td>Cannels</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Physical: real estate</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial: revenue +</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>public finance</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Personnel: managing director</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Figure 9. Only one tenant

7.2 Option 2: Activities are outsourced (service model)

Option number 2 relies on outsourced key activities. It is estimated that e.g. the city’s consolidated group services “customer service team” will perform all key activities on behalf of the case company. The case company itself will have minimum human resources, only managing director, and is prepared to buy all needed tasks that would normally belong to the company itself. Physical resources include the real estate. Financial resources include turnover from the renting fees and the case company tries to make as profitable a deal as
possible with its customers. If the fees are not covering all costs the case company has to rely on the public city funding.

The case company would have two direct customers, city theatre and group services. Since the theatre is a permanent tenant and group services would handle all other customer service, the case company would do business only with two customers. The same two would also act as key partners, in addition to Citycon.

In this option key activities are also minimum since they are mainly outsourced and there are only two customers. The case company would have some of its own channels on how to reach customers but they would be managed by the group services. To a customer it would seem that the value proposition is marketed by the case company but it would actually be outsourced. Channels include internet pages and personal contacts.

It could be possible that the group services would rent also other premises such as the Lappeenranta hall. This option has been noticed but it is not included in the case company’s business model. It should be explained in the group services operating or business model.

Value proposition covers also here purely renting of premises: theatre halls and a lobby. The City theatre will reserve approximately 60% of the total renting capacity of the halls and 40% of the capacity should be sold to other customers.

The revenue stream would be a little more complicated or have an extra step between an actual customer and the case company. The rent income belongs to the case company, but it is necessary to decide the invoicing operator. There is a need for a detailed commission agreement between the group services and the case company since it would not be beneficial to outsource all sales activities without financial guarantees.

Compulsory costs derive from fixed costs such as absolute net rent, ground rent and financial expenses. Also maintenance costs, repair fees and human resources are included in fixed costs. Variable costs derive from the services that are purchased from the group services. The level of costs would depend on the commission agreement, sales targets and the demand of services needed.
It was estimated that also technical services are necessary to be purchased in order to organize different events and performances. The capacity for the theatre technical staff is limited. Therefore attention needs to be paid into the organization of technical services, otherwise it is not possible to rent any surplus capacity. Option number 2 is seen in Figure 10.

Figure 10. Service model, activities are outsourced

7.3 Option 3: Own personnel perform key activities (in-house model)

This option number 3 has a financial viewpoint. It is estimated that the case company manages sales activities and other key activities with its own personnel. This way the risk and profit responsibility is more clearly in the case company. The group services would offer its services but they would be more supportive and back office tasks like marketing.

The case company would need more personnel: managing director/sales manager, production manager, technical personnel and customer service representative. They would deal directly with all customer segments, which in this option are many: the city theatre, conference organizers, entertainment agencies, local NGOs, performance groups and citizens. This differs from other two models since human resources are much larger. Financial resources
include turnover from the renting fees and the case company tries to make as profitable a deal as possible with its customers. If the fees are not covering all costs the case company has to rely on the public city funding. Physical resources include the real estate.

Value proposition covers also here purely renting of premises: theatre halls and a lobby. The case company would do close cooperation with the group services, especially if a customer would like to rent both theatre halls and the Lappeenranta hall. Customer segments would be reached through internet pages and personal contacts. A reference list would be created to help in decision making. The sales personnel of the company would be responsible for sales channels.

There would be different levels of customer relationships. The city theatre is estimated to be quite independent but other big customers would need key account management. A Customer Relationship Management tool would be created (possibly a joint software with the group services) in order to automate customer data processing.

The case company would be solely responsible of the revenue stream. It was estimated that the company could better utilise different pricing strategies, such as price elasticity, different quotations and price packaging.

Key activities include sales tasks and general managing. The case company would also have key personnel for technical services, production and customer service. All supporting activities it would buy from the group services or other producers. It is estimated that the City of Lappeenranta and its subsidiaries offer many supporting services.

The case company would have more direct partners compared to options 1 and 2. It deals directly with customers and their representatives, hotels and other service providers. Cooperation would emphasize e.g. marketing and other supporting services that the case company could provide for its customers.

Compulsory costs derive from fixed costs such as absolute net rent, ground rent and financial expenses. Also maintenance costs, repair fees and human resources are included in fixed costs. Variable costs derive from the services
that are purchased from group services and other service providers. The level of variable costs depends on what kind of complementary services the case company would like to provide. Option 3 is seen in Figure 11.

<table>
<thead>
<tr>
<th>Key partners</th>
<th>Key activities</th>
<th>Value proposition</th>
<th>Customer relationship</th>
<th>Customer segments</th>
</tr>
</thead>
<tbody>
<tr>
<td>City theater: main customer</td>
<td>Sales: CEO/sales manager</td>
<td>Rent: halls, lobby and other spaces</td>
<td>Theater: regular customer</td>
<td>City theater</td>
</tr>
<tr>
<td>and producer of technical services</td>
<td>Procurement of support services</td>
<td>Hotel: public relations</td>
<td>Others: personal customer</td>
<td>Meeting &amp; seminar organizers</td>
</tr>
<tr>
<td>Group services: produce</td>
<td>Marketing, office services</td>
<td>Key-account management:</td>
<td></td>
<td>Event offices: artists</td>
</tr>
<tr>
<td>marketing, customer services: lounge service</td>
<td>Customer relations: company+</td>
<td>important regular customers</td>
<td></td>
<td>stand-up and other performers</td>
</tr>
<tr>
<td>Technical services</td>
<td>Database: Technical: company</td>
<td>Informative internet pages:</td>
<td></td>
<td>Local organizations, e.g.</td>
</tr>
<tr>
<td>Shopping centre (Citycon)</td>
<td>and by procurement</td>
<td>Local services: the city</td>
<td></td>
<td>Sport clubs, NGOs</td>
</tr>
</tbody>
</table>

Figure 11. In-house model, own personnel perform key activities

### 7.4 Business model scoring results

The three business model options were presented to key persons of the City of Lappeenranta who were mainly board members of the company, managing director and other city officials who have influence on theatre operations. The same options were presented also to the chosen stakeholders from different business fields. 19 interviews were conducted and a list of interview dates are shown in Appendix 4.

The business model options were presented during the semi-structured interviews and the interviewees were asked to choose the best model and also score all models and give them the total of 10 points. The interviewees were also asked to explain and justify their selection.
Table 7 shows the answers and how the models were valued among city officials and stakeholders. Actual points were calculated first and the points were transformed into a ratio to explain how many percentage of the total number of answers favoured available options.

In total, the service model was the most popular and it gained the support of 47 percent from all interviewees. If the city officials’ and stakeholders’ opinions are separated the overall result was the same. The city officials preferred the service model over the in-house model with a greater difference than the stakeholders. The tenant model was the least popular model in both interview groups.

7.5 **Comparison of the models**

All three model options were formed based on the assumption that any of them could be chosen. Based on the interviews the main strengths and weaknesses of all three models are presented in Table 8.

<table>
<thead>
<tr>
<th>Scoring</th>
<th>Tenant model</th>
<th>Service model</th>
<th>In-house model</th>
</tr>
</thead>
<tbody>
<tr>
<td>City officials</td>
<td>20 %</td>
<td>49 %</td>
<td>31 %</td>
</tr>
<tr>
<td>Stakeholders</td>
<td>23 %</td>
<td>43 %</td>
<td>35 %</td>
</tr>
<tr>
<td>Total</td>
<td>21 %</td>
<td>47 %</td>
<td>32 %</td>
</tr>
</tbody>
</table>

Table 7. Results of the scoring
<table>
<thead>
<tr>
<th>Strengths and opportunities</th>
<th>Tenant model</th>
<th>Service model</th>
<th>In-house model</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>one tenant pays the whole rent</td>
<td>best suited to the current organization model</td>
<td>influence power in own activities</td>
</tr>
<tr>
<td></td>
<td>easy option for the case company</td>
<td>City’s event coordination is centralized</td>
<td>clear limits of responsibility</td>
</tr>
<tr>
<td></td>
<td>easy and long term budgeting</td>
<td>decision-making remains in the city</td>
<td>sales and resources at the same place</td>
</tr>
<tr>
<td></td>
<td>least risky</td>
<td>city’s municipal services have already staff</td>
<td>own personnel have stronger commitment</td>
</tr>
<tr>
<td></td>
<td>operates with minimal human resources</td>
<td>limit the growth in personnel</td>
<td>greater freedom in pricing</td>
</tr>
<tr>
<td></td>
<td></td>
<td>procurement only when needed and less fixed costs</td>
<td>decision-making close to the customer</td>
</tr>
<tr>
<td></td>
<td></td>
<td>synergy with the Lappeenranta hall</td>
<td>easier financial management</td>
</tr>
<tr>
<td></td>
<td></td>
<td>marketing benefits from the City’s operations</td>
<td>reacting quickly</td>
</tr>
<tr>
<td></td>
<td></td>
<td>novelty value of the location can be utilized</td>
<td>innovation is more committed</td>
</tr>
<tr>
<td></td>
<td></td>
<td>close to the public</td>
<td>flexibility towards customer needs</td>
</tr>
<tr>
<td></td>
<td></td>
<td>versatile utilization of premises</td>
<td>novelty value of the location better utilized</td>
</tr>
<tr>
<td></td>
<td></td>
<td>service packaging</td>
<td>close to the public</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>versatile utilization of premises</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>service packaging</td>
</tr>
<tr>
<td>Weaknesses and challenges</td>
<td>Tenant model</td>
<td>Service model</td>
<td>In-house model</td>
</tr>
<tr>
<td>---------------------------</td>
<td>-------------</td>
<td>--------------</td>
<td>---------------</td>
</tr>
<tr>
<td></td>
<td>difficult to find a customer willing to pay the whole price i.e. not realistic</td>
<td>requires a good and reliable partner</td>
<td>higher fixed costs</td>
</tr>
<tr>
<td></td>
<td>if an external tenant, there is no control by the City</td>
<td>the risk of sales is not controlled by the case company</td>
<td>expenses may impact on the level of rent</td>
</tr>
<tr>
<td></td>
<td>if tenant is city theatre it will bear the financial risk of selling extra capacity</td>
<td>commitment and expertise of the outsourcing partner</td>
<td>secured revenue only from city theatre</td>
</tr>
<tr>
<td></td>
<td>City theatre is not seen as a selling organization</td>
<td>the interfaces between the operators</td>
<td>staff needs to be hired, including sales person</td>
</tr>
<tr>
<td></td>
<td>if external tenant, there is risk of damaged brand image</td>
<td>case company does not have direct contact with the customers</td>
<td>efforts in starting the business</td>
</tr>
<tr>
<td></td>
<td></td>
<td>municipal service teams does not have a sales person</td>
<td>failed recruitment of key personnel</td>
</tr>
<tr>
<td></td>
<td></td>
<td>correct pricing policy (ref. Lappeenranta - hall)</td>
<td>find comprehensive value proposition</td>
</tr>
<tr>
<td></td>
<td></td>
<td>divisive image of the theatre</td>
<td>small staff, substitute problems</td>
</tr>
<tr>
<td></td>
<td></td>
<td>scheduling of the theatre’s repertory and capacity utilization of the halls</td>
<td>synchronised pricing (ref. Lappeenranta -hall)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>adequacy of the technical staff</td>
<td>scheduling of the theatre’s repertory and capacity utilization of the halls</td>
</tr>
<tr>
<td></td>
<td></td>
<td>the seasonal nature of events</td>
<td>the seasonal nature of events</td>
</tr>
<tr>
<td></td>
<td></td>
<td>raising the awareness outside of Lappeenranta</td>
<td>raising the awareness outside of Lappeenranta</td>
</tr>
</tbody>
</table>

Table 8. Comparison of the three model options
The tenant model was seen easy but not so realistic. It was seen that there would be too much pressure towards the city theatre if it would be the sole tenant and try to rent the extra capacity to other users. They could not fully concentrate on their own production. The theatre would not have the resources either since administrative tasks are within the group services. If the tenant would be an external organization, the city would lose the control over the real estate. Financially the case company would be the most secure and solely perform activities related to real estate management.

“The tenant model is an easy option since someone else takes the financial risk.”

The service model was valued to be the best because it was seen to suit best for the current organization model. Decision making was also seen to be centralized and the city would have the responsibility clearly in their own hands. In the interviews, the city officials emphasized the new organizational structure and its potential. Customer service and marketing teams exist and they currently manage the Lappeenranta hall. These teams could manage and promote also new theatre halls. If sales activities are outsourced from the case company all responsibilities and sales targets should be clearly defined in a purchase agreement. The case company bears the financial risk if the utilization ratio remains too low. Therefore the implementation of the sales should be monitored closely and it should be ensured that the purchase service operator has sufficient resources to carry out active sales work. The most profitable contract to the case company would be a service provision agreement where it pays provision only from signed rental agreements. If a purchase service contract is made for a fixed monthly fee, the case company has to pay even if the theatre halls would have no additional events.

“the most reasonable model is the service model since it operates from the company’s point of view and is in line with the current decisions” was a comment from a city official but this was criticized by a stakeholder.

It was suggested that the case company would make the procurement for the ancillary services such as restaurant services but greater support in this model was for separating the tasks of real estate management and event production.
The case company should focus on the property management and outsource all other functions that are related to events. In the service model the case company should focus on the real estate. The City theatre, together with an outsourcing partner would manage all other tasks related to event management. This way the interfaces between operators are the clearest and the case company itself can work with minimal human resources. If an outsourcing partner is the municipal group services, it means that the event production is organized totally by the city and it can make tenders for all services needed in the Lappeenranta hall and theatre halls.

The interviewees were worried about the adequacy of the technical staff (sound and light services). If the current theatre staff does not have the time to handle the techniques of other additional events, it creates a bottleneck for the sales since theatre halls generally cannot be rented without personnel. Also in the Lappeenranta hall technical staff resources are minimal and in maximal use. Currently there are no full time companies in Lappeenranta who provide technical services and who could be used in demand peaks. Technical services would need to be included in the purchase service agreement and be part of the outsourced services.

The in-house model was the second most popular model. External stakeholders were more critical towards the municipal services teams as a service operator since they are not income generating business units and therefore more risky in relation to the company's financial objectives. Municipal service teams were unfamiliar and not seen to fit as a business partner in the event production since it requires a certain kind of flexibility by the staff and municipal employees were not seen so flexible. If none of the team members are appointed to work for the case company it was seen to weaken the commitment and increase the risk that the case company's priorities are neglected. An outsourcing partner was perceived important but it does not necessarily have to be a city unit. The interviewees who favoured the in-house model gave the arguments below.

“A service provider has also other things to do besides the case company’s tasks and it is not as committed.”
“The same people have to sit on top of utilization ratio, revenue and costs.”

The in-house model was seen as a flexible option and it would be close to the end customer. The interviewees saw that reacting to customers’ need would be fast with their own personnel and there would be no intermediaries in between. In this model the case company would play a large role in customer acquisition and therefore would need also key personnel.

Recruiting a professional salesperson was considered important. If it is hired to the municipal group services, the salesperson should take care of both the Lappeenranta hall and theatre halls. If hired to the case company, the salesperson should also take care of the sales of all the halls. The salesperson should have experience in professional sales and event production. The remuneration model should be supportive in order to increase the sales. The prices of the Lappeenranta hall are subsidized and so far there is no flexibility either. If there are big differences in the renting prices of the Lappeenranta hall and the theatre halls there is a risk that customers will automatically be diverted to the cheapest option. A common pricing model should be created so that all facilities are as attractive as possible.

### 7.6 Evaluation of the business modelling concept

The interviewees were asked questions about the business model concept and how they experienced this kind of a presentation style. The Business model canvas was not familiar to the city officials or external stakeholders. This kind of modelling is not used in the City of Lappeenranta or anywhere else within the companies that were interviewed. The city officials had not seen that modelling has been used in municipal businesses in general. Although most of the interviewees saw that the business model canvas is a good and clear presentation format. It clarifies the key elements for operations or business. Planning would be easier and also the steering procedures. At the moment there is no uniformed way of presenting the business models of the subsidiaries of Lappeenranta.

A strategy and a business model were often mixed together and viewed as synonyms even though the strategy has long-term goals and vision, and the
business model defines the actions of how to reach these goals. Many interviewees had a strategy which is followed closely and the strategy of the City of Lappeenranta was emphasized very much. (Casadesus-Masanell & Ricart 2011, DaSilva & Trkman 2013.) Lappeenranta has mapped the whole strategy in a web-based form which is readable on the intranet. It has many levels and actions can be very detailed. All departments use and update this software and also some of the subsidiaries have their own responsibilities there. The city council is given reports on the upper level and different committees supervise and monitor objectives in a more detailed form.

Since the presentation style of the Business Model Canvas (Osterwalder & Pigneur 2010) is very clear it is recommended to the case company and to the City of Lappeenranta.

7.7 Profitability analysis of the case company

Lappeenrannan Teatterikiinteistö Oy was established in 2013 and it has not yet had a normal, income generating fiscal year. Construction work will continue also in year 2015, so normal rental income can be expected from year 2016 onwards. The analysis of the financial statements requires this kind of information so profitability assessment can only be made based on assumptions. The budget for the City of Lappeenranta 2015 mentions that after the business model has been chosen, the necessary changes will be made to the budget of the case company. (City of Lappeenranta, Talousarvio 2015.)

Currently, only 50% of the managing director’s salary is budgeted for the years 2015-2017. External services are budgeted for 2016 as 58 000 euros and for 2017 as 90 000 euros. Stage building facilities are rented from another location and the rent is forwarded to the city theatre or the theatre will rent these facilities directly. Other rent revenues have been budgeted for the year 2016 as 1 210 000 euros and for the year 2017 as 1 246 300 euros.

The level of income mentioned above is also the company's break-even point. It is the volume of sales from which loss is not generated. If sales exceed the break-even point the company is profitable. The City theatre will pay rent for the so-called back office which includes the actors' offices and rehearsal hall. It also
pays rent for the big and small hall based on the usage ratio. The back office rent can be considered as a guaranteed rent but the rental agreement has not been signed at the time of writing the thesis.

The difference between the budgeted rent and rent income from the City theatre is uncertain. If sales activities are outsourced, the case company will have to pay sales commission to the service provider. The level of commission depends on the future agreement.

It is notable that at the present there are no salespersons hired to the city’s municipal group services or to the case company itself. This generates additional costs which have to be covered by the case company. There should also be a budget for e.g. marketing, customer service and technical services. In the service model these costs are covered in external services. If the case company does not wish to outsource anything, costs are in salary expenses, other operating expenses or in materials and services.

In the in-house model the company has to cover all fixed costs even if there is no additional rental income. The costs for service model depend on the service agreement but it would be most profitable for the case company to order and pay for services only when needed. It can be assumed that variable costs are related to the additional rental income. If the service provider is the municipal group services and a salesperson is hired there, expense risk remains also there, provided that the service contract is tied to the renting income.

The company's profitability is commonly measured in terms of EBITDA (earnings before interest, taxes, depreciation and amortization). The need for operating profit (EBITDA) is greater the more the company has depreciation and finance costs. Normally the EBITDA ratio is between 5-20% but it also depends on the industry.

In the case company the operating profit target is much higher. In order to achieve a zero result the net profit target is 0 euros. Because of the financial expenses (approx. 250 000 € / year), the trading profit target is 19% in 2016. The amount of depreciation (approx. 577 000 € / year) has to be noted also and in order to cope with that the operating profit target is approx. 60%.
The case company’s fixed costs can be affected by the procurement and proper controlling of costs. They are, however, necessary in order to operate and flexibility is quite minimal. Variable costs can be influenced the most, and the better the gross margin from sales is the better the operating profit targets are met.

Return on investment (ROI) in 2013 was -0.6% in the financial statement of 2013. It should be noted that 2013 was the company’s first fiscal year and it had no revenue. The financial statement of 2014 has not been published at the time of writing this thesis but it is known that there are no revenues either. To be able to calculate and analyse the return on investment properly, there has to be normal fiscal years to consider. In general ROI has to be at least the same what the financial expense percentage of the company’s interest-bearing external liabilities is. (City of Lappeenranta 2014, Yritystutkimus 2011.)

In the interviews it was found out that, ultimately, the City of Lappeenranta is responsible for the net loss. Depending on the business model the loss is covered either directly by the city or it is in the case company’s financial statement. If the cost control and financial indicators are considered important by the management, it would be easier to follow them through the case company’s financial statement. This favours the in-house model.

PART IV - CONCLUSIONS AND RECOMMENDATIONS

8 Conclusions

This chapter answers to the research questions. It concludes the key findings of this thesis. In the end possible future research areas are highlighted.

8.1 What business model should the case company, Lappeenrannan Teatterikiinteistö Oy, use in order to create value to the customers?

The case company was founded because the City of Lappeenranta did not want this real estate to be in its own balance sheet. Lappeenrannan Teatterikiinteistö Oy is fully owned by the city but it is a separate subsidiary. (Lappeenranta City
council §49 2013.). The development of the business model did not start from a business idea, as usual, but a company was founded first. Its first task was to build the real estate and then maintain the property with rental income.

The case company is dependent on the parent company, the City of Lappeenranta. However, the operational tasks can have many variations and the business model defines main business elements. The location of the real estate is unique and close cooperation is essential with selected business partners. The case company needs a business model to operate. It is in real estate business and the biggest customer is the city theatre. Revenue from the theatre’s rental agreement does not cover all costs that generate from the external liabilities and maintenance costs. The whole capacity of the theatre halls should be optimized and the use of the premises should also be on the free market. This would generate more income.

The case company needs a strategy-oriented approach (Heywood & Kenley 2008) in its business model. Real estate businesses rarely have close links to the overall business strategy but in this situation close cooperation is inevitable. Even though the parent company is a public municipality it does not mean a business cannot operate businesslike. The case company will also be financially dependent on the city since it has set strict limits to the construction budget. Yet the ultimate financial risk will also stay in the whole city group. If the case company will succeed in its business, it will be beneficial for the whole city. Business operations would be managed the easiest in the in-house model since operations and responsibilities would be clearly defined inside the case company.

The new theatre location will be a competitive advantage since it is assumed to be something unique. This advantage should be fully exploited. The theatre premises can be utilized by the shopping centre and to organize events that would be counted as value adding biztainment and retailtainment. (Newsom et al. 2009.) Customers would feel that they can experience something new while shopping. This is linked to value propositions which should be in top priority of the case company. The location and partners give several possibilities in creating new value offerings.
Within the time limits set by the construction time table and available human resources (0.5 man-years), business operations should be started as quickly as possible. The service model with outsourced activities answers to this problem but in the long run the in-house model would serve customers the best. Value propositions can be created with the partners in service model also, but the case company would not have a strong role in value creation.

8.2 What business model guarantees profitability the best?

It was known from the beginning that the city theatre cannot afford to rent the premises with its current revenue stream. Either the city theatre will have to generate more profit or rent the extra capacity to other users. The final responsibility will nevertheless stay within the City of Lappeenranta. In case of an equity shortfall authorities need to be notified and corrections should be made in order to keep the company in operation. This usually means modifications to the cost structure or owners have to invest more equity in the company.

The case company’s success depends on the key partners and key activities. It has financial backing from the city but it needs partners in order to operate. With a right combination, operations can start when the building will be finished. Since the case company does not have its own human resources, certain activities have to be outsourced. Another option is to modify the line of business, employ more people and perform all activities itself.

Value propositions in the three model options included only renting of theatre halls. The interviews pointed out that more gross margin can be generated from additional services. This creates more value to the customer and encourages the case company to utilize service design (Parvinen 2011). This should be linked further to the blue ocean strategy and a market offering that makes competition irrelevant should be designed (Kim & Mauborgne 2005). The service model outsources these activities very effectively but the case company could act as an enabler and try to benefit also financially. In the in-house model the case company’s role would be more of an organizer. This justifies the
proposition that a long term strategy would be moving from the service model to the in-house model.

8.3 What are the strengths, weaknesses, opportunities and threats for the service business model?

A SWOT was created based on the interviews and the results are shown in Table 9.

<table>
<thead>
<tr>
<th>Strengths</th>
<th>Weaknesses</th>
</tr>
</thead>
<tbody>
<tr>
<td>best suited to the current organization model</td>
<td>requires a good and reliable partner</td>
</tr>
<tr>
<td>city’s event coordination is centralized</td>
<td>the risk of sales is not controlled by the case company</td>
</tr>
<tr>
<td>decision-making remains in the city</td>
<td>commitment and expertise of the outsourcing partner</td>
</tr>
<tr>
<td>city’s municipal services have already staff</td>
<td>the interfaces between the operators</td>
</tr>
<tr>
<td>limit the growth in personnel</td>
<td>case company does not have direct contact with the customers</td>
</tr>
<tr>
<td>procurement only when needed and less fixed</td>
<td>municipal service teams do not have a sales person</td>
</tr>
<tr>
<td>costs</td>
<td></td>
</tr>
<tr>
<td>synergy with the Lappeenranta hall</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Opportunities</th>
<th>Challenges</th>
</tr>
</thead>
<tbody>
<tr>
<td>marketing benefits from the city’s operations</td>
<td>correct pricing policy (ref. the Lappeenranta hall)</td>
</tr>
<tr>
<td>novelty value of the location can be utilized</td>
<td>divisive image of the theatre</td>
</tr>
<tr>
<td>close to the citizens</td>
<td>scheduling of the theatre’s repertory and capacity utilization of the halls</td>
</tr>
<tr>
<td>versatile utilization of the premises</td>
<td>adequacy of the technical staff</td>
</tr>
<tr>
<td>service packaging</td>
<td>the seasonal nature of events</td>
</tr>
<tr>
<td></td>
<td>raising the awareness outside of Lappeenranta</td>
</tr>
</tbody>
</table>

Table 9. SWOT of the service model

None of the business model options were adaptable for the case company without modifications. The service model also included elements that need more evaluation before putting them into action. When choosing the final and modified model, the case company should consider all elements and pay special attention to these several points that arose from the interviews. The
points are highlighted in the same order as they are presented in the business model canvas. All business model elements have their own comments.

**Customer Segments**
- The will of breaking the boundaries and search for new types of customers
- Case company does not necessary interact with the final customer, so it can create information gaps

**Value Propositions**
- In the service model main services are the rental business and real estate management
- Lappeenranta hall and theatre halls should have the same salesperson. This way customers are offered a space for their needs.
- Allocation of a reservation calendar should be done in collaboration with the theatre as early as possible
- Additional sales margins are generated from services such as catering
- Service packaging and service design should be used in addition to rental business

**Channels**
- Personal sales are essential in order to reach customers. This requires resources in sales.
- Informative website helps in presenting services

**Customer Relationships**
- City theatre is the main tenant and very independent
- Other customer relationships require more personal service, either by the personnel of the case company or by outsourced service provider
- Key account customers have special status
- Theatre halls and the Lappeenranta hall should have a joint reservation calendar. All customer data should be saved in a CRM software.

**Revenue streams**
- Theatre halls and the Lappeenranta hall rental pricing should follow the same principles
• Flexible pricing such as price elasticity, seasonal pricing and risk pricing models
• Service packaging and additional sales margin opportunities should be used

**Key Resources**

• Case company focus on the core business
  o if sales are outsourced the case company is responsible only for the real estate management
• Synergy from joint technical resources in the theatre and the Lappeenranta hall
• Outsourced service provider should be chosen based on qualifications
• It is not profitable to create a brand of the case company but to use city’s existing brand.

**Key Activities**

• Biggest differences between model options relate to activities and what the case company is expected to do
• Procurement of services plays a large role in cost management. Attention should be paid to the contract agreements.

**Key Partners**

• City theatre is the main customer and partner
• Many of the partners produce supporting or additional services
• Synergy from the group services should be utilized

**Cost structure**

• Case company has a heavy cost structure (depreciation, interests, real estate management)
• Service model does not bind costs as much as the in-house model

Ruocco and Proctor (1994) developed the TOWS matrix which deepens the SWOT analysis and connects different attributes. Table 10 below shows how the case company can use strengths to maximize opportunities, minimize challenges through strengths, utilize opportunities by overcoming weaknesses and minimize weaknesses to avoid challenges.
<table>
<thead>
<tr>
<th>TOWS</th>
<th>Strengths</th>
<th>Weaknesses</th>
</tr>
</thead>
</table>
|        | best suited to the current organization model  
|        | city's event coordination is centralized  
|        | decision-making remains in the city  
|        | city's municipal services have already staff  
|        | limit the growth in personnel  
|        | procurement only when needed and less fixed costs  
|        | synergy with the Lappeenranta hall                                                                                                                                                                                                                                          | requires a good and reliable partner  
|        | the risk of sales is not controlled by the case company  
|        | commitment and expertise of the outsourcing partner  
|        | the interfaces between the operators  
|        | case company does not have direct contact with the customers  
|        | municipal service teams does not have a sales person                                                                                                                                                                                                                          |
| Opportunities | marketing benefits from the City's operations  
| | novelty value of the location can be utilized  
| | close to the citizens  
| | versatile utilization of the premises  
| | service packaging                                                                                                                                                                                                                                                           | close cooperation with the Lappeenranta hall to maximise marketing benefits  
| | efficient use of staff                                                                                                                                                                                                                                                     | recruitment of salesperson  
| | reliable and committed partner to perform key activities  
| | interfaces are clear so that everybody knows their tasks  
| | create more marketing spirit                                                                                                                                                                                                                                              |
| Challenges | efficient event coordination to even out seasonal nature of events  
| | focus on marketing to boost image and awareness  
| | versatile usage of technical staff  
| | looking for ideas that make competition irrelevant (blue ocean)                                                                                                                                                                                                                   | early scheduling of the theatre repertory has a positive effect on other sales  
| | pricing policy of the Lappeenranta hall and theatre halls are in line                                                                                                                                                                                                            |  

Table 10. TOWS matrix for service model (Ruocco & Proctor 1994)
There seem to be much more weaknesses and challenges than strengths and opportunities. Risks are quite high since the investment is expensive and financial resources are limited from the beginning. For example, marketing costs have no upper limit if you want to increase customer awareness and also attract new ones. The pricing policy should be linked to the evaluation of how much customers are willing to pay (Kim and Mauborgne 2005).

The public sector is accused of having no or very little marketing spirit. Marketing spirit in general means the ability to get more out of factors like know-how and resources. A key issue is also in understanding common goals and strategy and working together in order to reach them. People with marketing spirit get things done. One main reason why marketing spirit is not visible in the public sector is the presumption that it is only acceptable in the private sector, not the public. Parvinen, in his book about marketing spirit challenges this attitude and encourages also the public sector to aim at the best and high quality service. The change does not happen overnight since many obstacles have to be overcome. Those include non-commercialism, limited work engagement and stiff wage policy. In order to raise marketing spirit the public sector should delegate more responsibility to employees, work in small teams and develop leadership skills. The author also encourages utilizing more intangible rewards such as the company’s internal career path, choosing the employee of the month or job rotation. (Parvinen 2008, 81-87.)

Using more marketing spirit in business model creation and realization could reveal concrete benefits. This could be possible in municipal teams but it is more likely to happen in more business-like subsidiaries. Especially stakeholders were critical towards municipal teams and questioned the flexibility which can be translated into lack of marketing spirit. This deficiency can also be turned from a weakness into a strength if it is recognized as a development target.

Since political environment fluctuates in Russia, no strong emphasis should be on that market. As LeHew and Wesley (2007) recommend, locals are an important customer segment and revenue provider.
8.4 Are there any synergy benefits with other companies and city departments?

If the case company’s own resources are limited it should focus on long lasting and sustainable partnerships. Core competence should stay within the company and other supporting activities can be outsourced (Itami & Nishino 2010.) The key is to find suitable pricing for the supporting services and beware of their cost level.

Since shopping is more and more related to entertainment, development areas are seen in that field. Proper events attract both local and tourist shoppers. There lies a huge potential in a service concept where a customer comes to spend time in a shopping centre (Kim & Kim 2008.) All needed services are under the same roof of the new IsoKristiina shopping centre such as a hotel, restaurants, shops and cultural services. Customers do not even have to leave the building. Creating this kind of package would require close cooperation with key partners but in the service model this work can be outsourced by the case company.

Renting the Lappeenranta hall and the theatre halls have the largest synergy benefits. Both premises should be controlled by the same operator. This ensures that a customer is offered a space that meets the needs of the customer. On the other hand, the interviewees did not found events that would utilize all facilities at the same time. Synergy with the group services was seen especially in customer service since it deals with ticket sales, general customer service and tourist info. Besides their normal tasks, they can market the Lappeenranta hall and the theatre halls.

Synergies for supporting services should be utilized to the fullest and always search for the best service provider. According to the interviewees it can be either an external company or the city’s own internal unit.

The allocation of technical resources was seen as a synergy benefit. If the city theatre and the Lappeenranta hall would share resources, it would even out the spikes in demand and help organizing human resources and substitutes. In
addition to this, good practices of the Lappeenranta hall could be expanded to the theatre.

The IsoKristiina shopping centre dimension is also important, together with all the synergies that arise from cooperation. IsoKristiina will have a lot of professionals in commerce and the value they generate should be utilized. The promenade of the shopping centre could also be utilized in various events. This way the events held in the theatre premises would land down to the shopping arcade.

The proximity of the hotel was seen necessary if seminars are to be organized. Customers assume that short distances are normal nowadays and it is not so much a competitive advantage.

8.5 Summary of the findings

The purpose of this study was to find a suitable business model for the case company. The study developed three business model options which were evaluated by interviewees from the case company, the City of Lappeenranta and other stakeholders.

The research question was in two parts. The first question was “What are the available business model options for a real estate company starting its business?” Three business model options were created together with the case company. They were the tenant model, service model and in-house model. All model options had different characteristics.

The second question was “Which of the available options would create most value to the customers of Lappeenrannan Teatterikiinteistö Oy, the case company of the thesis?”. In order to start business operations as soon as possible, the service model with outsourced activities was seen the best business model option by the interviewees. The service model presented in this study is not adaptable as such, but the case company should make certain decisions based on the TOWS analysis. Maximizing strengths and overcoming weaknesses with well-chosen partners, the case company is able to create value to its customers. The most important decisions are the recruitment of a
sales person and the shared usage of staff within the city group. The novelty value of the unique location should also be utilized to the fullest.

The first sub-question was “What business model guarantees the best profitability?” The case company has limited resources and it is financially dependent on the parent organization, the City of Lappeenranta. Reaching profitability is challenging to the case company since it has very high depreciation and financial expenses. The financial risk depends very much on the chosen business model and the outsourcing contracts that should be made. The most profitable for the case company is to tie variable costs to the sales volume. If the service model is chosen and sales are outsourced, the case company should only pay sales commission to the service provider.

The second sub-question was “What are the strengths, weaknesses, opportunities and threats of the chosen business model?” Based on interviewees’ preferences a SWOT analysis was made from the service model. This analysis is seen in Table 9.

The third sub question was “Are there any synergy benefits with other companies and city departments?”. It was found out that a key issue is to find long lasting and sustainable partners. In the service model partners are the most important since they would perform many key activities on behalf of the case company. Within the City of Lappeenranta, most synergy benefits would come from combining the renting activities of the Lappeenranta hall and theatre halls. Also customer service and technical service resources should be shared with the city group services.

This thesis recommends the service model with modified features since the case company has limited time frame before the actual business operations need to start. In the long term perspective the in-house model would be the most beneficial for the final customer.

8.6 Future research topics

The study determined the needed elements for the business model of the case company. Yet, it is not enough for the actual business operations. The business
model sets the boundaries but a more detailed business plan should be created based on the chosen business model. The next phase would be the implementation of the business model and business plan. The emphasis should be on the value propositions. In order to clarify customer segments and their needs, a market research would give necessary information.
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### Appendix 1: Business model options in Finnish

#### Liketomintamalli 1: Yhden vuokralaiseen malli (Vain yksi vuokralainen, joka käyttää ja vuokrattaa tilat edelleen)

<table>
<thead>
<tr>
<th>Avainpartnerit</th>
<th>Avainaktiviteetit</th>
<th>Asiakasarvo</th>
<th>Asiakassuhteet</th>
<th>Asiakassegmentit</th>
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<tbody>
<tr>
<td>Päävuokralainen</td>
<td>Asiakassuhteet hoito</td>
<td>Vuokraus: salit, lämpöä ja</td>
<td>Henkilökohtainen kontaktointi</td>
<td>Päävuokralainen on</td>
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<td></td>
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<tr>
<td>Taloudelliset: liikevaihto +</td>
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</tr>
<tr>
<td>Julkinen</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Henkilöstö: toimitusjohtaja</td>
<td></td>
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<td></td>
<td>Kanavat</td>
<td>Henkilökohtainen kontaktointi</td>
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#### Kustannusrakenne

- Klinteet: pääomavuokra eli rahoituskulut (lainan hoito), klinteet ja muuttuvat kulut (henkilöstö ja muut kulut), poistot, maanvuokra
- Ylläpitovuokra eli vuokralaiskuin, kiinteistökortti, lämpö, sähkö, vesi

#### Tulovirrat

- Tilavuokra
### Liiketoimintamalli 2: Ostopalvelumalli

<table>
<thead>
<tr>
<th>Avainpartnerit</th>
<th>Avainaktiviteetit</th>
<th>Asiakasarvo</th>
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<th>Asiakassegmentit</th>
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| Konsernipalvelut: tuottaa myyntiä, markkinointia, as lakaspalvelua, aulapalvelua, teknisiä palveluja | Toimitusjohtaja osallistuu. | Edut: tilojen monikäyttö, moderni teknikka, terveelliset turvalliset sekä toimivat | Muut: henkilökohtainen asiakaspalvelu (konspalv.) suorat yhteydet muuhun Miten: asiakasrekisteri as lakkkalaisuus | Konsernipalvelut (hoitaa)
| Kauppakeskus Citycon | Avainresurssit: tilat | | | Tietoisuus: henkilökohtainen kontaktointi, nettisivut |

### Kustannusrakenne

- Kiinteät: pääomavuokra eli rahoituskulut (lainan hoito), kiinteät ja muut uvat kulut (henkilöstö ja muut kulut), poistot, maanvuokra
- Viihtyisövuo eli vuosikorjauskulut, kiinteistönhoito, lämpö, sähkö, vesi
- Muutuvat: ostopalvelu, asiakas-, myynti-, markkinointi-, tekn. palvelut

### Tulovirrat

- Tilavuokra
- Tekniset palvelut (sovittava tuottajien kanssa)
<table>
<thead>
<tr>
<th>Avainpartnerit</th>
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<th>Asiakasarvo</th>
<th>Asiakassuhteet</th>
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<td>ja teknisten palveluiden tuottaja</td>
<td>Tukipalvelut: ostopalvelut</td>
<td>muut tilat</td>
<td>Key-account management</td>
<td>Ohjelmisto, teatteri</td>
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<td>Märkkinointi, toimistopalvelut</td>
<td>tärkeät kanta-asian paketit</td>
<td>Stand-up ja muut esiintymät</td>
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<td>tieto palvele bakasta</td>
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<td>Esiintyjärmät (tanssit, musiikki, teatterit)</td>
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<td>Pyyntö: teatterikinoteistot</td>
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<td>Julkinen</td>
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<td>Kuntalaiset</td>
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<td>(teatteri+k-paiko)</td>
<td>Oma myynti/henkilöstö</td>
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<td>Kinteitöpalovalut</td>
<td>Niitty, aulaenkilö</td>
<td>Tuontaa: itse + ostopalvelut</td>
<td>Tuontaa: itse + ostopalvelut</td>
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**Kustannusrakenne**

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<td>Pakettihiinnalliset lisäpalvelut, esim. laitevuo, yhdistykset, vahtimestarin</td>
<td></td>
</tr>
</tbody>
</table>
Appendix 2: Interview structure for interviews with city officials

- Perustiedot vastaajasta
  - Nimi:
  - Organisaatio
  - Tehtävä

- Onko liiketoimintamalli terminä teille tuttu?

- Käytetäänkö mallinnusta mielestänne yleisesti kuntien konserniohjauksessa?

- Käytetäänkö mallinnusta yleisesti Lappeenrannan kaupunkikonsernissa? Jos kyllä, niin miten?

- Jos ei, niin pitäisikö? Mitä etua siitä olisi?

- Miten strategiamutokset jalkautetaan kaupunkiyhtiöiden liiketoimintamalleihin?

- Kuinka usein yhtiöiden malleja tarkastellaan ja miten kehittäminen muutenkin huomioidaan?

- Miten varmistetaan yhtiöiden innovointi ja uusien ideoiden etsiminen? Entä resurssit siihen?

- Miten arvioisit teatterikiinteistön merkitystä Lappeenrannan kaupungille?

- Mallivaihtoehtojen pisteytys (3 vaihtoehtoa, yht. 10 pistettä)
  - Annoit eniten pisteitä vaihtoehdolle x. Miksi?
  - Arvioi valitsemaasi vaihtoehtoa:
    - Mitä vahvuuksia näet valitussa mallissa?
    - Mitä heikkouksia näet valitussa mallissa?
    - Mitä haasteita tai uhkaa valittu malli saattaa aiheuttaa?
    - Mitä mahdollisuuksia valitulla mallilla on?

- Miksi muut vaihtoehdot eivät ole niin mielenkiintoisia?

- Arvioi muita vaihtoehtoja (2. suosituin vaihtoehto):
  - Mitä vahvuuksia näet 2. suosituimmassa mallissa?
  - Mitä heikkouksia näet tässä mallissa?
  - Mitä haasteita tai uhkaa valittu malli saattaa aiheuttaa?
  - Mitä mahdollisuuksia valitulla mallilla on?

- Arvioi muita vaihtoehtoja (3. suosituin vaihtoehto):
- Mitä vahvuusia näet 3. suosituimmassa mallissa?
- Mitä heikkuusia näet tässä mallissa?
- Mitä haasteita tai uhkia valitut malli saattaa aiheuttaa?
- Olisiko tällä mallilla mitään mahdollisuusia?

- Kuinka tärkeäksi arvioit teatterikiinteistön sijainnin ostoskeskuksessa?
- Kuvaile kaupungin sisäisten synergiejä ja luonne ja merkitys? (Kuka, miksi, miten)
- Mikäli edellisen kysymyksen vastauksissa ei ole ilmennyt, arvioi parasta mallivaihtoehtoa jokaisen elementin näkökulmasta.

1. asiakasarvo, tuotteet
2. asiakkaat, asiakassegmentit
3. asiakassuhteet
4. kanavat
5. resurssit
6. avaintoinnot, aktiviteetit
7. yhteistyökumppanit
8. tulovirta
9. kustannukset

- Onko mielessänne muita asioita aiheeseen liittyen joista haluaisitte keskustella?
- Ketä minun seuraavaksi kannattaisi haastatella?
Appendix 3: Interview structure for interviews with stakeholders

- Perustiedot vastaajasta
  - Nimi
  - Organisaatio
  - Tehtävä

Liiketoimintamallin merkitys yritykselle

Liiketoimintamalli on tapa kuvata yrityksen liiketoiminnan keskeiset menestystekijät ja niiden väliset suhteet. Liiketoimintamallin pohjalta voidaan laatia tarkemmat yksityiskohtaiset suunnitelmat ja laskelmat liiketoimintasuunnitelman muotoon.

Haastateltavaa pyydetään havainnollistamaan vastauksia myös esimerkein, esim. omasta organisatiosta.

- Onko liiketoimintamalli terminä teille tuttu?
- Käytetäänkö liiketoimintamallinnusta mielestänne yleisesti omalla toimialallaanne?
- Käytetäänkö liiketoimintamallinnusta omassa yrityksessänne? Jos kyllä, niin miten?
- Jos ei, niin pitäisikö? Mitä etua siitä olisi?
- Miten strategiamuutokset jalkautetaan liiketoimintamalleihin?
- Kuinka usein liiketoimintamalleja tarkastellaan ja miten kehittäminen muutenkin huomioidaan?
- Miten varmistetaan innovointi ja uusien ideoiden etsiminen? Entä resurssit siihen?
- Mallivaihtoehtojen pisteytys (3 vaihtoehtoa, yht. 10 pistettä)
- Annoit eniten pisteitä vaihtoehdolle x. Miksi?
- Arvioi valitsemaasi vaihtoehtoa:
  - Mitä vahvuuksia näet valitussa mallissa?
  - Mitä heikkoja näet valitussa mallissa?
  - Mitä haasteita tai uhkia valittu malli saattaa aiheuttaa?
  - Mitä mahdollisuuksia valitulla mallilla on?
- Miksi muut vaihtoehdot eivät ole niin mielenkiintoisia?
- Arvioi muita vaihtoehtoja (2. suosituin vaihtoehto):
• Mitä vahvuksia näet 2. suosituimmassa mallissa?
• Mitä heikkouksia näet tässä mallissa?
• Mitä haasteita tai uhkia valittu malli saattaa aiheuttaa?
• Mitä mahdollisuksia valituilla mallilla on?

• Arvioi muita vaihtoehtoja (3. suosituin vaihtoehto):
  • Mitä vahvuksia näet 3. suosituimmassa mallissa?
  • Mitä heikkouksia näet tässä mallissa?
  • Mitä haasteita tai uhkia valittu malli saattaa aiheuttaa?
  • Olisiko tällä mallilla mitään mahdollisuksia?

• Miten arvioisit teatterikiinteistön merkitystä Lappeenrannan kaupungille?
• Kuinka tärkeäksi arvioit teatterikiinteistön sijainnin ostoskeskuksessa?
• Kuinka synergiaetu kaupungintalolla sijaitsevan Lappeenranta -salin sekä kokoustilojen olisi parhaiten hyödynnettävissä?
• Näätekö tapauksessa mitään muita synergiaetuja?
• Mikäli edellisen kysymyksen vastauksissa ei ole jo ilmennyt, arvioi parasta mallivaihtoehtoa jokaisen elementin näkökulmasta.

1. asiakasarvo, tuotteet
2. asiakkaat, asiakassegmentit
3. asiakassuhteet
4. kanavat
5. resurssit
6. avaintoiminnot, aktiviteetit
7. yhteistyökumppanit
8. tulovirta
9. kustannukset

• Onko mielessänne muita asioita aiheeseen liittyen joista haluaisitte keskustella?
Appendix 4: List of interviewees and time of the interview

City officials:

<table>
<thead>
<tr>
<th>Interviewee</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deputy mayor</td>
<td>21.10.2014</td>
</tr>
<tr>
<td>Manager of office services</td>
<td>5.11.2014</td>
</tr>
<tr>
<td>Communications director</td>
<td>6.11.2014</td>
</tr>
<tr>
<td>Mayor</td>
<td>12.11.2014</td>
</tr>
<tr>
<td>Managing director</td>
<td>13.11. and 18.11.2014</td>
</tr>
<tr>
<td>Director of Cultural Services</td>
<td>17.11.2014</td>
</tr>
<tr>
<td>Head of marketing and customer service</td>
<td>24.11.2014</td>
</tr>
<tr>
<td>Director of Strategy and Finance</td>
<td>25.11.2014</td>
</tr>
<tr>
<td>Theatre finance manager</td>
<td>26.11.2014</td>
</tr>
<tr>
<td>City lawyer</td>
<td>27.11.2014</td>
</tr>
<tr>
<td>Technician</td>
<td>2.12.2014</td>
</tr>
</tbody>
</table>

Stakeholders

<table>
<thead>
<tr>
<th>Interviewee</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hotel director, Lappeenranta</td>
<td>14.11.2014</td>
</tr>
<tr>
<td>SME representative (manager)</td>
<td>17.11.2014</td>
</tr>
<tr>
<td>Theatre representative (administration)</td>
<td>21.11.2014</td>
</tr>
<tr>
<td>Real estate representative (manager)</td>
<td>26.11.2014</td>
</tr>
<tr>
<td>Service manager (concert hall)</td>
<td>27.11.2014</td>
</tr>
<tr>
<td>Manager of municipal real estate company</td>
<td>28.11.2014</td>
</tr>
<tr>
<td>CFO, Business development company focusing on seminars</td>
<td>8.12.2014</td>
</tr>
<tr>
<td>Producer (opera)</td>
<td>31.12.2014</td>
</tr>
</tbody>
</table>