# Business modelling concepts and terms

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The following summary of business modelling concepts and terms is based on (ITU-T, 2008) and (ECOSYS, 2004).

## 1. Service domain terms

**Value** as the intrinsic property of the product that a customer is willing to pay for, is described in a value proposal which together with value creation logic is combined into a value model.

**Value proposition** includes identification of the key value drivers and elements, which enable the company to differentiate itself from the competitors.

## 2. Technical domain terms

**Capacity** is capability of an equipment, network or sub network to handle the traffic flows with an associated grade of service.

**Network infrastructure** consists of core network, metro network, access network and home network.

**Security** means service protection, content protection, consumer privacy, device protection and network protection.

**Traffic Engineering (TE)** involves both capacity management and traffic management and involves a trade off between effectiveness and simplicity.

## 3. Organisation domain terms

**Roles** are functions that the business entity playing this roles takes in order to realise the product/deliver the service.

**Relationships** are the information flows between two roles; can be business related (e.g. billing method, tariffing schemes, SLA negotiation, etc) or technical (e.g. signalling, management, payment method, etc).

**Value configurations** includes network of partners, which describes how the value is created, who contribute to it (i.e. relationships), and how it is distributed and finally, consumed. Value configurations reflect value creation logics. The value chain and the value network are examples of value configurations.

**Value chain** encapsulates a set of interconnected activities that bring a value/product/service to the market.

**Value network** is a network of relationships that generates economic and other types of value through dynamic exchanges between two or more participating players. The exchanges may be tangible and intangible in nature.

**Vertical integration** refers to the extent to which a player controls the production and distribution of services in a value chain.

**Horizontal integration** occurs when a firm in the same industry and in the same stage of production is being taken-over or merged with/by another firm which is in the same industry and in the same stage of production as of with the merged firm.

# 4. Financial domain terms

**Operational Expenditure (OpEx)** is all non-capitalised costs of operating the network either associated to each network element, to running the services or generic company activities.

Typical operation cost associated to the network elements are:

- Maintenance
- Connection
- Rental
- Technical operation
- Decommissioning

Services associated operations include:

- Service activation
- Commercial operation
- Service marketing campaigns
- Balance of international traffic (if negative)
- Compensation to content providers, etc.

Generic operation costs consider:

- Labor costs
- Social charges

## Training

- Company marketing
- Administrative expenses
- Bad debt

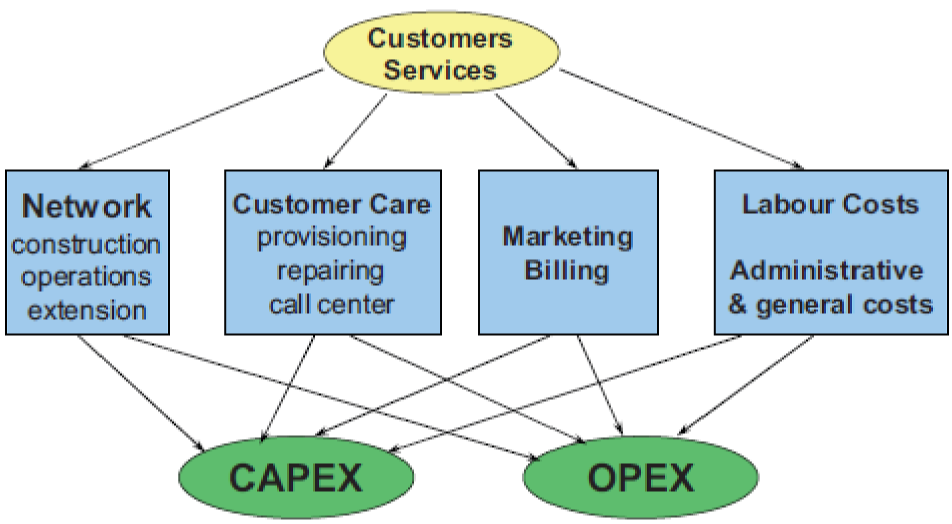

Figure 3. Expenses calculation (ITU-T,2008).

**Capital Expenditures (CapEx)** are due to the purchase of a fixed asset to be installed at the different

network segments and layers:

- Typically: land, building, exchange, cabinet, duct, fiber, cable, transmission system, tower, BTS, computer, IT platform, car, etc.
- Costing more than a threshold defined internally in any company and following current financial best practices in order to allow consideration as an asset and not as a consumable or operation expense.
- Having an expected life of more than one year (value subject to specific parameters of industry sectors and companies)

**Revenues** is an income statement term, referring to the sum of money owed the company for sales of goods and services. Revenues (or "Sales") are ordinarily the top line in the income

statement, against which most other costs and expenses are subtracted to calculate income. In Britain, the term turnover is often used in place of revenues. The term revenues generally mean "gross revenues," that is, revenues before adjustments for customer discounts and allowances.

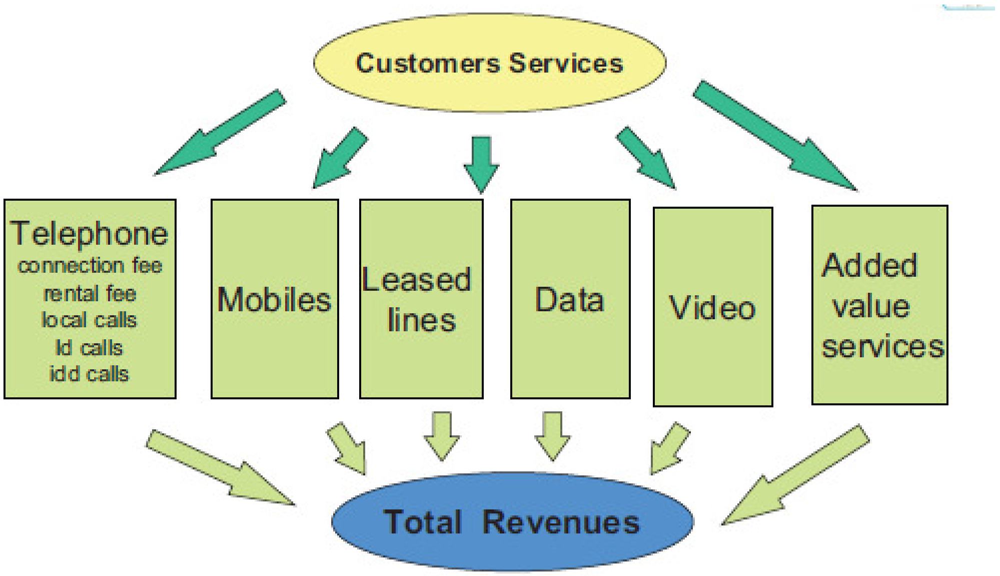


Figure 4. Services revenues calculation (ITU-T,2008).

**Profit** is another term for Net Income or Earnings. Surplus of sales revenues over costs or expenditure during an accounting period or operating cycle. Leads to an increase in owners' equity, though not necessarily to an increase in cash. It may be reflected in increased assets or decreased liabilities. Net profit may refer to profits after tax (on profits) or to profits less financial costs, depending on the purpose of the analysis.