

## Sustainability Blog

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# Learn How to Build Resilient, Sustainable and Innovative Business Models

**Together with our clients, we explore diverse business model landscapes, integrating various sustainability perspectives to explore transformation pathways towards more innovative and resilient models.**

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This article outlines how we embark on this journey, exploring the range of sustainable business model concepts providing insights into how organizations can transition towards more sustainable and impactful operations.

In today's complex and rapidly changing environment, businesses across the globe are faced with a variety of challenges deriving from shifts and dynamics in relation to demographic structures, regional regulatory requirements, societal needs, climate change, globalization, and various other developments. Building up and maintaining a resilient business model based is therefore essential to guarantee the long-term license to operate for businesses.

Exploring the wide range of opportunities and potential for creating value sustainably, as well as envisioning what resilient and innovative businessmodels could look like, is a core focus of our Sustainable Innovation team. Starting the journey with impulses on the diverse landscape of business models, we are engaging in meaningful discussions with our diverse client base to support their transition to more innovative solutions, explore the landscape of transformational pathways and initially identify the model that suits best to each organization.

To guide these discussions, we specifically designed business cards related to key sustainable business models. Among those are some that focus on social aspects putting impact creation at the core of business; others reinvent the financing system or pricing structure while there are also options to include cooperation in a network. So, what's it all about? Which options are there to transform your business? We have organized the large variety of business models into themes and will dive deeper into some core sustainable business model clusters that can be a great opportunity to face our complex world and built up a resilient business model within this blog post. Due to the repository and viability, we choose three broad clusters that are representing different approaches to value creation:

### **Pricing and revenue patterns**

To begin with, we first take a traditional profit-oriented perspective considering financing and pricing structures in order to evaluate how to "make" business models future-proof. Diverting from a traditional business model, pricing models could, for instance, be shifted towards a subscription or freemium model guaranteeing long-term income in contrast to (often only) a onetime client contact. This so-called "razor blade model" does not inherently make a business model sustainable but it can help to secure long-term economic success. Besides that, product service systems (PaS) are a prominent example for how to rethink traditional value generation from a product-based business model towards service-orientation. By focusing on outcomes, such a service-based offering can not only contribute to better results and higher customer satisfaction, but it also guarantees adequate rethinking of the end of life or how to extend a productions lifetime including options such as repair or refurbishment by designing products and service offerings in a manner to last long and create long-term value for the operating business.

## FREEMIUM

**THE BUSINESS MODEL**

A freemium pricing strategy enables users to access a free "basic" version of a product or service, but having to pay a fee to enjoy a "premium" version with enhanced features.

The strategy is frequently used for digital content products and software. It allows all customers, including those without financial means, to access the core product functions, demonstrating access to services while encouraging upgrades for those with the ability.

**SUCCESSFUL EXAMPLES**

Spotify: The graphic design platform provides templates and promotional images, music for free. However, to unlock content, features, stickers and more advanced features or templates, a paid subscription is required.

Zoom: For an independent video conferencing software, the basic plan is free up to a certain number of call minutes and participants. To increase these limits, a subscription fee must be paid.

PRICING & REVENUE

Shifting from no price out offering and generating revenue.

**COMPETITIVE ADVANTAGE**

1. **Customer Engagement:** engage customers with your product/ basic features, without an initial barrier.
2. **Scalability:** freemium offers works for digital products, so they are highly scalable and highly profitable.
3. **Customer Acquisition Cost:** the customer acquisition cost for freemium strategies is low because the platform and services already exist, so the individual CAC is small.

**CRITICAL QUESTION**

How might you provide free, basic access to your product or service, with an effective and viable option?

**ESG FACTORS**

Which Environmental, Social and Governance factors this business model affects.

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## Community platform & closing-the-loop patterns

An alternative perspective and approach towards shifting one's business model, can be in the field of sharing incorporating network structures and more holistic system thinking. Community platforms can present such an engagement format by enabling sharing and connecting within a neighborhood. Nowadays not only cars are offered as a sharing model, but several other products could in theory be designed with the intention for shared ownership. Beyond PaS and sharing systems that integrate the service idea into the business model, there are also several other sustainable business models that can contribute to the transformation to a more circular economy. Among those closing the loop strategies are reusing of products or recycling of materials or components to avoid waste and keeping resources, materials, components, or products in a closed circle. Moreover, eco-design patterns can be valuable at the design and conceptual stage very early in product development and can ease end-of use treatment and easy reuse, refurbishment, or recycling. This entails, for instance, the use of mono materials that are typically easier to recycle or modularly designed products that can be disassembled easily.

## SHARING BUSINESS

**THE BUSINESS MODEL**

A peer-to-peer network system, often in the form of a community-based online platform, enables members and those seeking offers. The sharing economy allows companies to reach customers on their terms by offering their services. This is sustainable, because the same asset can be used by multiple people and eliminates the need for a purchase.

**SUCCESSFUL EXAMPLES**

**Roomer:** a platform that brings RV owners together with RV renters, but the average RV is owned by 80% of the year. It shows these vehicles moving to members off of their own assets through this peer-to-peer network.

**Adable:** with over a million listings from homeowners, Adable has become a handy and popular way to travel. The platform connects renters with those offering their homes for rent in a sustainable sharing business model.

COMMUNITY PLATFORM

Enabling resource or product, materials based communities based access to resources and materials.

**COMPETITIVE ADVANTAGE**

1. **Low Risk:** without the need for many physical assets you can create a model with low financial risk for the service offering or business.
2. **Direct network effects:** the value of the business increases over time as the number of users increases.
3. **Scalability:** as the model is based on a virtual platform, there is a high degree of scalability of the offering.

**CRITICAL QUESTION**

How might you enable your customers to easily share or offer things they already own?

**ESG FACTORS**

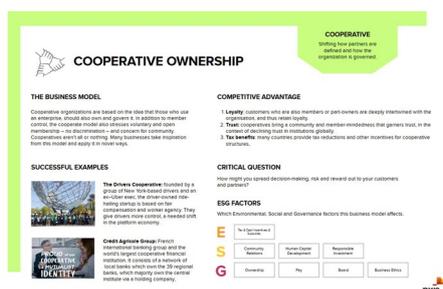
Which Environmental, Social and Governance factors this business model affects.

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## Cooperative & social mission patterns

Alternative ways how to shift business models can be found in the social sphere. Sustainability can be seen as an interface, an interdisciplinary topic that requires cooperation within and across organization in order to

get data, implement actions and create an impact. Cooperative patterns within the company but also with various stakeholders in the value chain and regional surrounding are core. Changing access provision patterns, where consumers get access to products and services that would normally be challenging, can also be a sustainable business model and can help approaching (potential) new costumers. Beyond this, there are options to increase the social footprint such as giving patterns that allow for cofinancing (e.g., of tickets, health care, food) that can be selected or where ticket prices are based on income structures. A social mission pattern follows a similar path, placing the creation of social and societal value at the heart of the business. This pattern is gaining more attention as both applicants and customers increasingly prioritize additional criteria when selecting employers or companies to support.



Due to the variety and complexity of these models, we will explore more of them in detail in the following months. Moreover, we would be happy to dive deeper into the various potentials for your business model transformation and explore which might be the useful and suitable for your organization. Reach out anytime to our Sustainable Innovation team for more insights.

#### Also relevant:

- [Sustainable Innovation @PwC Germany](#)
- PwC Sustainable Business Model Canvases
- [Scaling circular business models in electronics](#)
- [Das Potential zirkulärer Geschäftsmodelle in der Elektronikindustrie](#)

Get ongoing updates on the topic via regulatory horizon scanning in our research application, PwC Plus. Read more about the opportunities and offerings [here](#).

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#### Schlagwörter

[Circular Economy](#), [ESG](#), [Innovation](#)

## Kontakt



**Daniela Hanauer**

München

[daniela.hanauer@pwc.com](mailto:daniela.hanauer@pwc.com)