

Commercial Management

Lecturer : Dr. Leul Girma



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Course & Class Inform

- **Course: Commercial Management**
- **Program:** Bachelors in Business Administration and Management
- **Credits: 6 ECTS**
- **Mode:** Onsite / Blended
- **Class 2: Commercial Strategy and Revenue Models**
- **Instructor:** Dr. Leul Girma

Main Teaching & Learning Materials

Core textbook

- Principles of Management
- Principles of Marketing
- Case studies and real-world examples
- Academic articles and selected readings



Objective and Learning Outcomes

Objective:

To provide students with an understanding of **commercial strategy and revenue models**, and enable them to develop effective approaches to **pricing, revenue generation, and market positioning**

By the end of this class, Students will be able to:

- Explain the role of **commercial strategy in revenue generation**
- Identify and evaluate different **revenue models and their applications**
- Analyze how **pricing and value propositions influence revenue**
- Understand the relationship between **market selection, positioning**
- Assess different approaches to **sustainable revenue growth**

Define the Game

What is Commercial Strategy?

Commercial strategy refers to the **long-term approach** a company uses to **generate revenue, compete in the market, and deliver value to customers**. It defines **where to compete, how to win, and how to sustain profitability** over time (*Bright et al., 2019*).).

A strong commercial strategy answers three key questions:

1. Which customers should we target?
2. What value do we offer them?
3. How do we generate revenue from this value?



Market Selection Strategy

Market selection involves choosing **the most attractive and profitable markets or segments to target** based on company capabilities and opportunities (*Bright et al., 2019*).

It includes:



- Evaluating market size and growth potential
- Assessing competition intensity
- Identifying customer needs and demand
- Selecting segments with the highest value potential

Value Proposition and Revenue

A value proposition explains **the unique value a product or service delivers to customers and why they should choose it over competitors** (*OpenStax, 2023*).



It directly influences revenue by:

- Determining customer willingness to pay
- Supporting pricing decisions
- Differentiating from competitors
- Enhancing customer satisfaction and loyalty

Strategy vs Revenue Model

Commercial strategy defines the **overall direction of how a company competes and creates value**, while the revenue model explains **how the company converts that value into income** (*Bright et al., 2019*).

It focuses on:

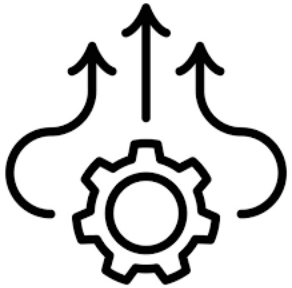
- **Commercial strategy:** Long-term direction for market success
- **Revenue model:** The method used to earn income
- **Value creation:** Turning customer value into business returns
- **Profitability:** Ensuring income supports sustainable growth



Aligning Strategy with Customer Needs

Commercial strategy must align with **customer needs, preferences, and expectations to generate sustainable revenue** (*OpenStax, 2023*).

This requires:



- Understanding customer behavior and preferences
- Adapting products and services to market demand
- Delivering consistent customer value
- Monitoring feedback and improving offerings

Competitive Positioning

Competitive positioning defines how a company **differentiates itself from competitors in the minds of customers** (*OpenStax, 2023*).

It can be achieved through:

- **Cost leadership:** Offering lower prices than competitors
- **Differentiation:** Providing unique value or features
- **Focus strategy:** Targeting a specific niche market
- Building a strong **brand image**



Scor to Win

Types of Revenue Models

A revenue model describes **how a company generates income from its products or services**. Different models are used depending on the market, customer needs, and business strategy (*OpenStax, 2023*).

Common revenue models include:

- **Transaction-based:** One-time sales of products or services
- **Subscription:** Recurring payments over time
- **Freemium:** Basic service is free, advanced features are paid
- **Licensing:** Charging for the right to use intellectual property or technology



Transaction-Based Revenue Model

The transaction-based revenue model generates income through **one-time sales of products or services**, where customers pay per purchase (*OpenStax, 2023*).

It is characterized by:



- Single payment per transaction
- No long-term commitment from customers
- Revenue depends on sales volume
- Common in retail and traditional businesses

Subscription Revenue Model

The subscription model generates revenue through **recurring payments over a defined period**, providing continuous access to a product or service (*OpenStax, 2023*).

It is characterized by:

- Predictable and stable revenue streams
- Long-term customer relationships
- Regular billing cycles (monthly or yearly)



Freemium Revenue Model

The freemium model offers **basic services for free while charging for premium features or advanced functionality** (*OpenStax, 2023*).

It is characterized by:



- **Free access to attract a large user base**
- Revenue generated from premium upgrades
- Low entry barrier for customers
- Common in digital platforms and mobile applications

Licensing Revenue Model

The licensing model generates revenue by **allowing others to use a company's intellectual property, technology, or brand in exchange for a fee** (*OpenStax, 2023*).

It is characterized by:

- Revenue from usage rights rather than direct sales
- Formal agreements defining terms and duration
- Scalable income with low production involvement
- Common in software, media, and franchising

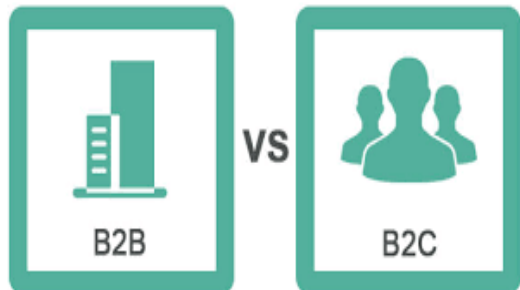


B2B vs B2C Revenue Approaches

Revenue generation differs between **business-to-business (B2B)** and **business-to-consumer (B2C)** markets (*OpenStax, 2023*).

Key differences include:

- **B2B:** Larger transactions and long-term relationships
- **B2C:** High volume and shorter sales cycles
- **B2B:** Customized pricing and negotiation
- **B2C:** Standardized pricing and faster decisions



Digital Revenue Models

Digital transformation enables new ways of generating revenue through **online platforms and technology-driven channels** (*OpenStax, 2023*).

Common digital revenue sources include:

- E-commerce platforms for direct sales
- Subscription-based digital services
- Online marketplaces connecting buyers and sellers
- Advertising and data-driven revenue streams

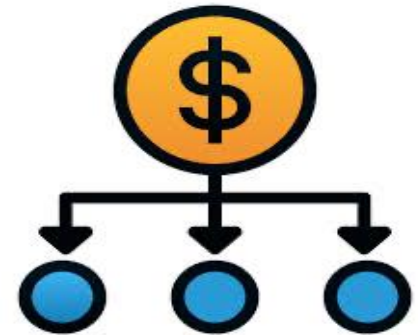


Revenue Streams Diversification

Revenue diversification involves generating income from **multiple sources to reduce risk and improve financial stability** (*Bright et al., 2019*).

It is achieved through:

- Offering multiple products or services
- Expanding into new markets or segments
- Combining different revenue models
- Reducing dependence on a single income source



Key Takeaways

- Commercial management balances **strategy** and **operations**
- Sales planning starts with **forecasting**, **quotas**, and **territories**
- **Segmentation** and **key accounts** focus resources on value
- Salesforce structure and pricing drive **performance**
- B2B and B2C require **different commercial approaches**
- CRM, negotiation, and ethics build **sustainable success**
- Digital tools enable **data-driven** decisions
- Strategy without execution is **dreaming** — execution without strategy is **chaos**

Further reading

Bright, D. S., Cortes, A. H., Hartmann, E., Parboteeah, K. P., Pierce, J. L., Reece, M., Shah, A., Terjesen, S., Weiss, J., White, M. A., Gardner, D. G., Lambert, J., Leduc, L.

M., Leopold, J., Muldoon, J., & O'Rourke, J. S. (2019). *Principles of management*. OpenStax, Rice University.

OpenStax. (2023). *Principles of Marketing*. OpenStax, Rice University.

Thank you



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