Business Modell Innovation

Lecture: Digital Innovation Fall 2021

Teaching Unit 2

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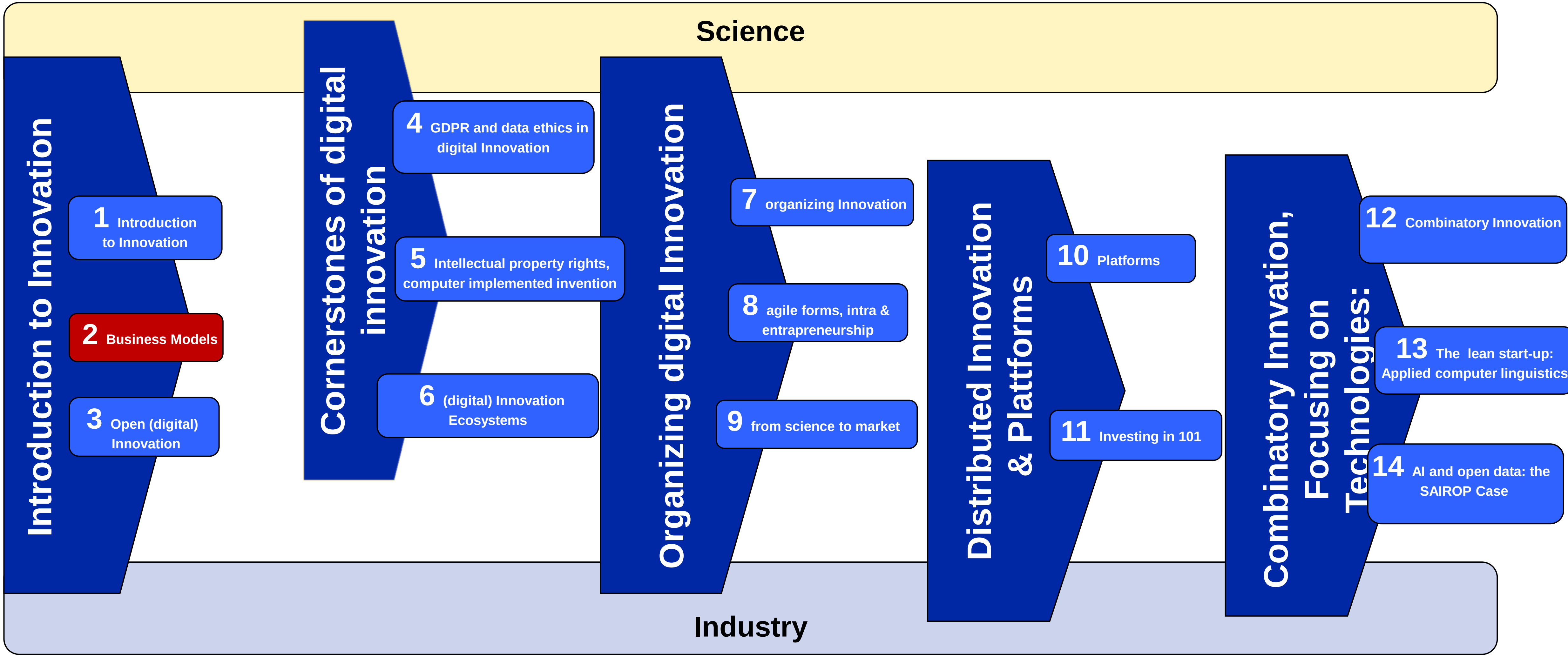

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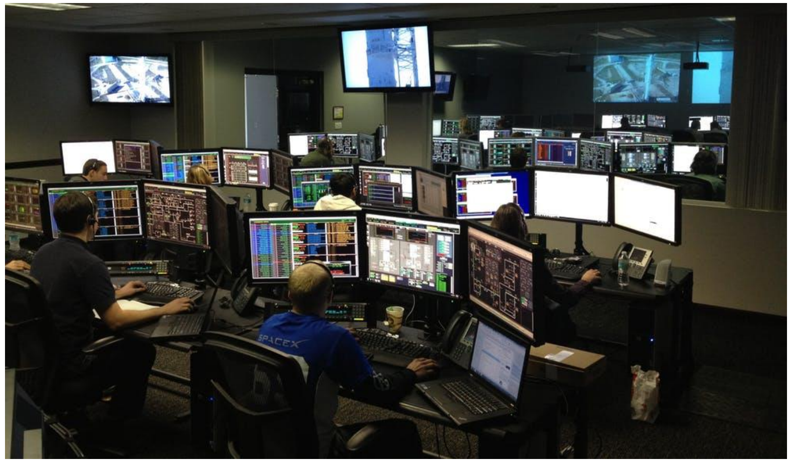
Learning objectives

- You learn the concept of Business model innovation
- You know the “magic triangle” and how to use it
- You see different types of business model innovation with examples

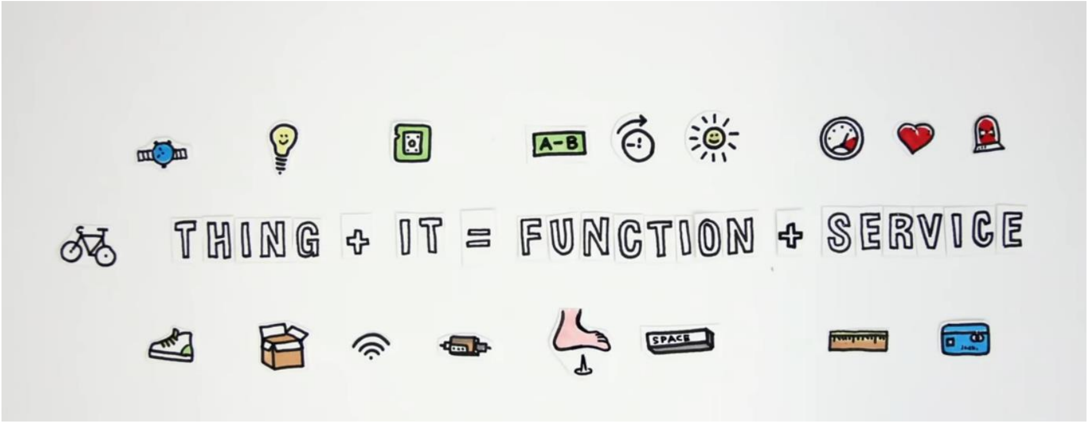
The optimal combination of technology application and business model is core

New technologies are available which enables new or advanced use cases



Pexel.com Aug. 2021

Development of new and Customizing of existing Business Models



https://www.youtube.com/watch?v=B4ZSGQW0UMI,
https://www.youtube.com/watch?v=kYQ_PHOCjyg&list=RDCMUCXD31YouvwEjzmAHf09Gg1A&index=2
quite old videos (7y) but they still provide a good overview, (Sep. 2021)

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Business Models

- What's a Business Model?
- How we develop a Business Model ?
- What's behind the Buzzword «Business Model Innovation»?
- The «4 Core Questions»
- Important: Testing Business Models !

https://www.youtube.com/watch?v=B4ZSGQW0UMI, (Sep. 2021)

Some remarks to the literature:

«one» definition of a Business Model ?

the seven school of thoughts

1. Activity System School
2. Process School
3. Cognitive School
4. Technology driven School – lead to the open Innovation initiative
5. Strategic Choice School
6. Recombination School
7. Duality School

Conclusion:

Due to the variety of different concepts, an overall theory to explain the phenomenon of business models is still missing

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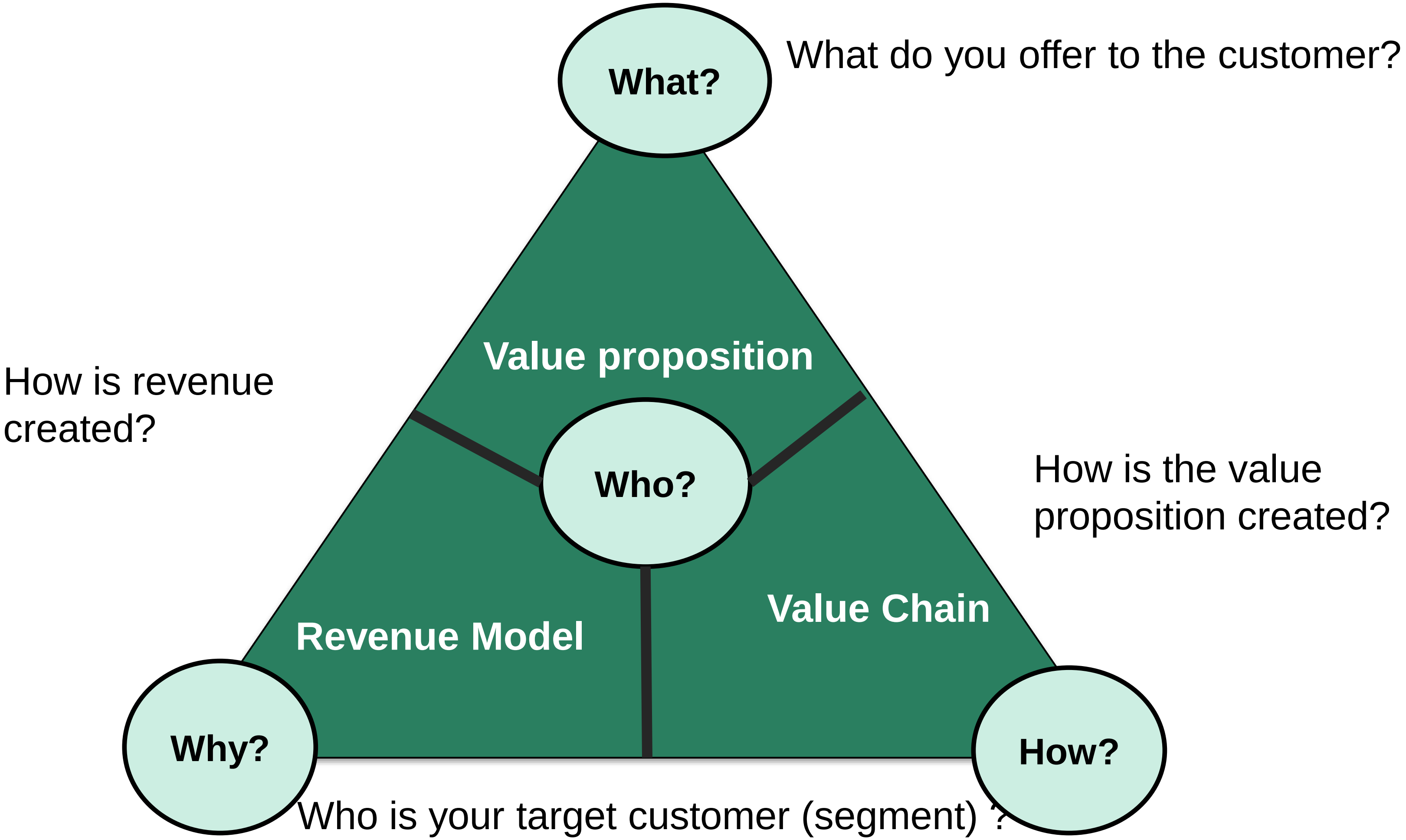
the recombination School: Business Model Definition «Magic Triangle»



Gassmann, Frankenberger, Csik: The St. Gallen Business Model Navigator (2015) p.7

«What values will generate revenue?»

Who?

Customers

- Who are our target customers
- For whom do we generate (added) value?
- Do the channels correspond to our customers needs?
- Which channels do we use to reach our customers?
- Have we segmentet our customer base?

Gassmann, Frankenberger, Csik: The St. Gallen Business Model Navigator (2015) p.55

«What values will generate revenue?»

Why?

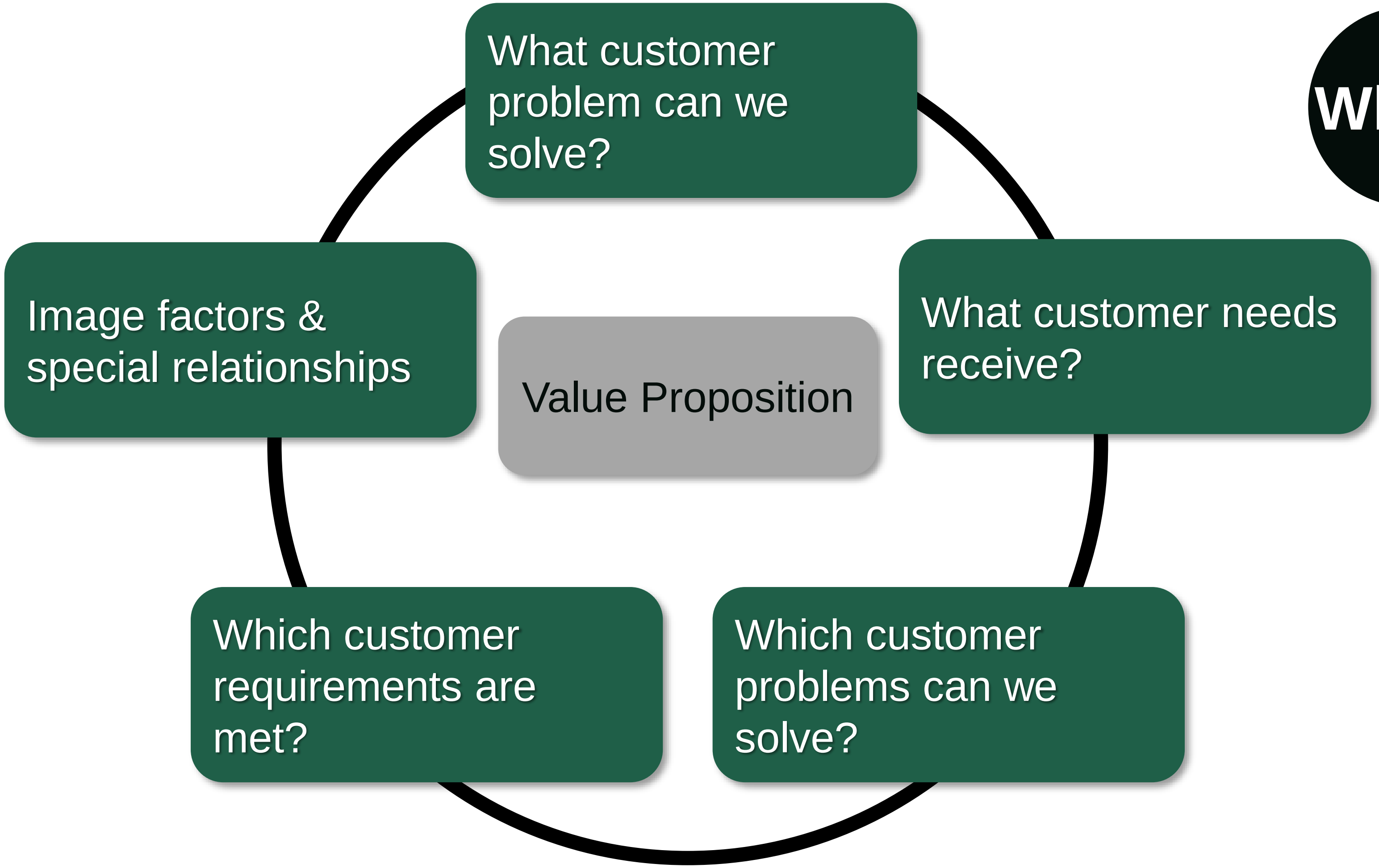
Revenue & cost Model

- What are the principal costs? Financial risks?
- Which revenue sources should be relied on?
- How much does each revenue stream contributes to the overall turnover?
- What is the customer willing to pay for?
- How do customers pay at present? / in the future?

Gassmann, Frankenberger, Csik: The St. Gallen Business Model Navigator (2015) p.55

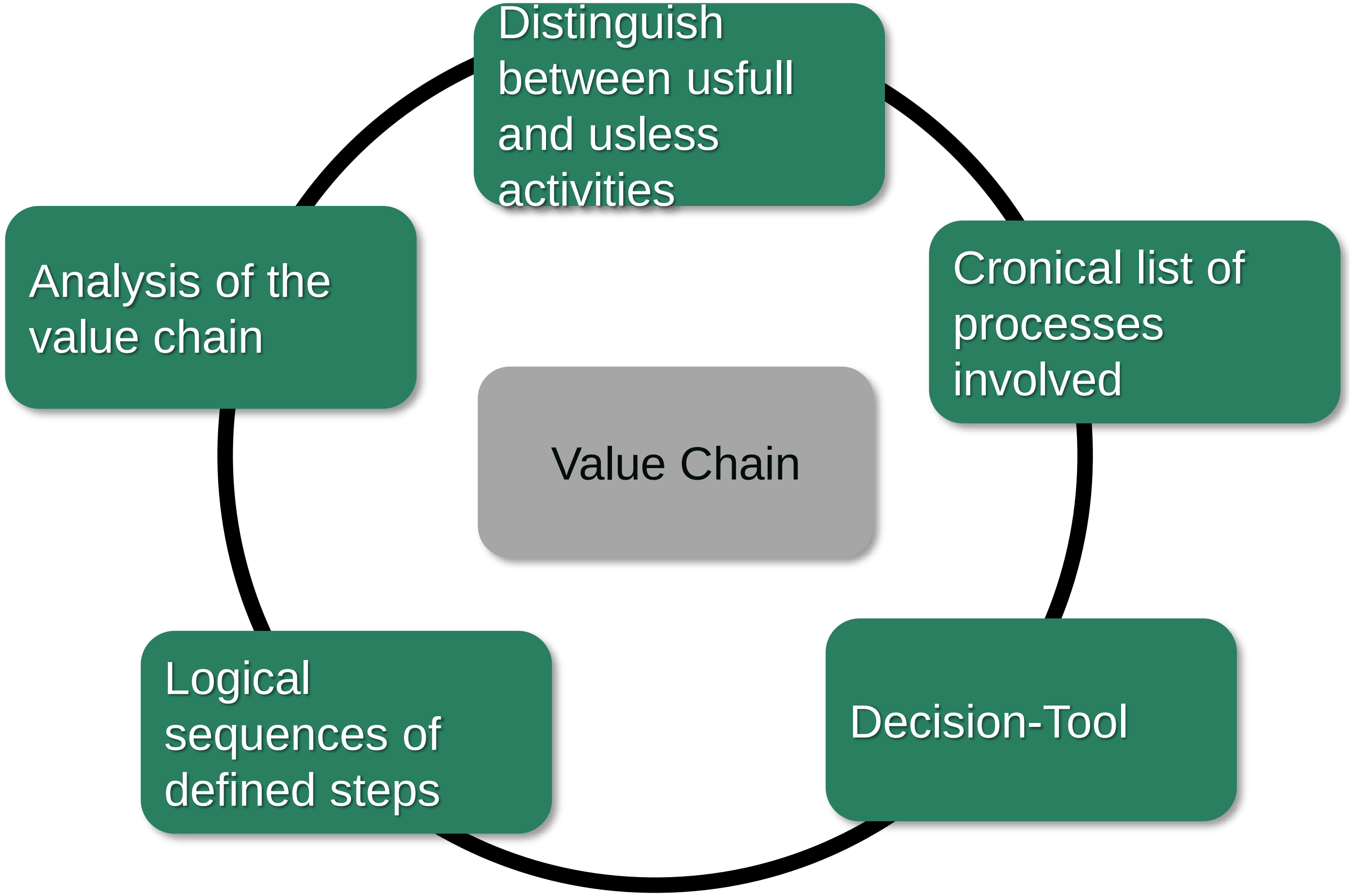
«What do we offer to our customers?»

What?



Gassmann, Frankenberger, Csik: The St. Gallen Business Model Navigator (2015) p.55

«How does the value chain look like?»

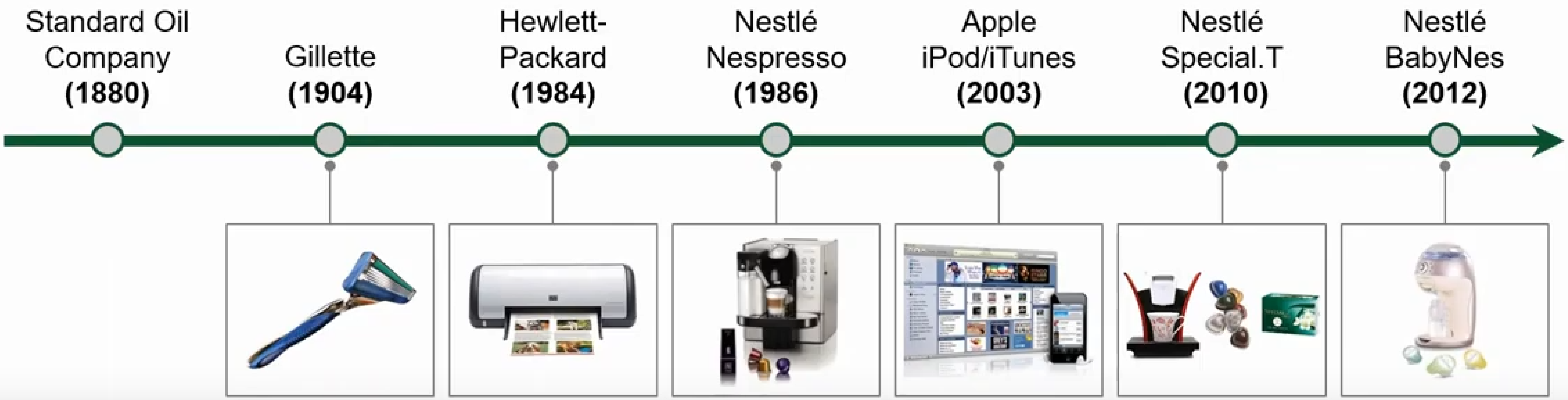


How?

Gassmann, Frankenberger, Csik: The St. Gallen Business Model Navigator (2015) p.55

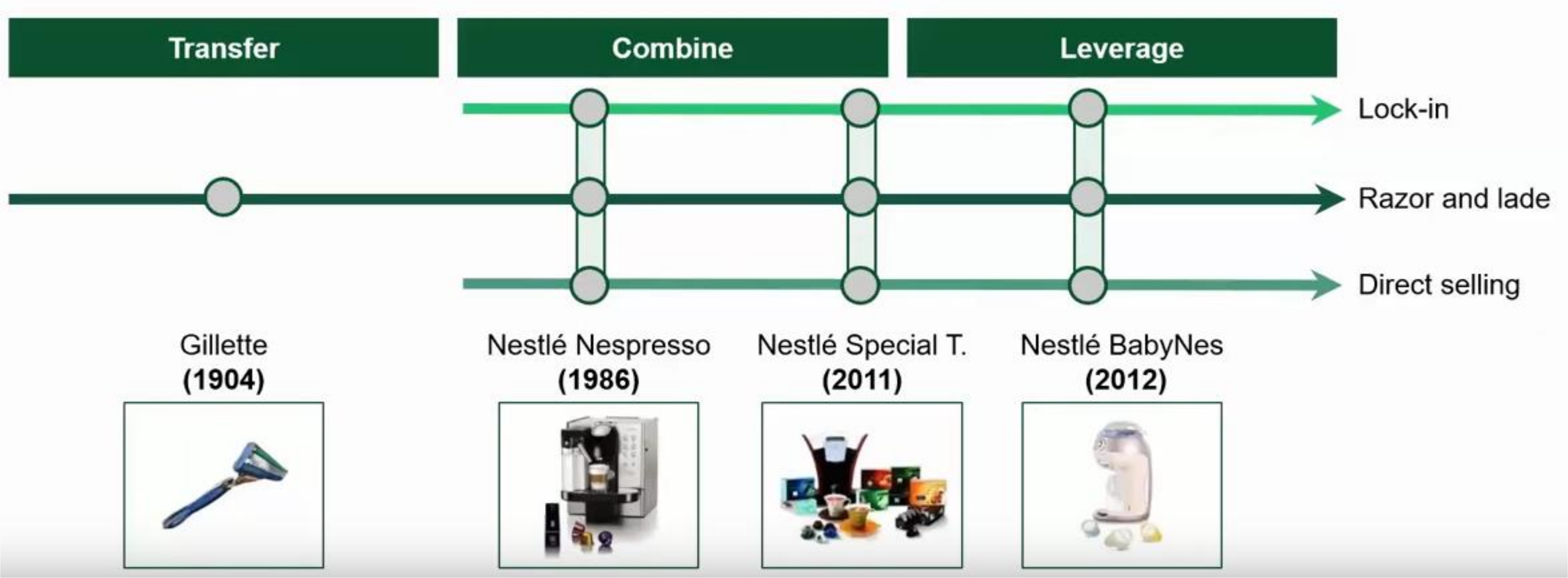
Business Model pattern «Razor & Blade»

Basic products are cheap, or given away for free. The consumables that are needed to be used or operated, on the other side, are expensive and sold at high margins.



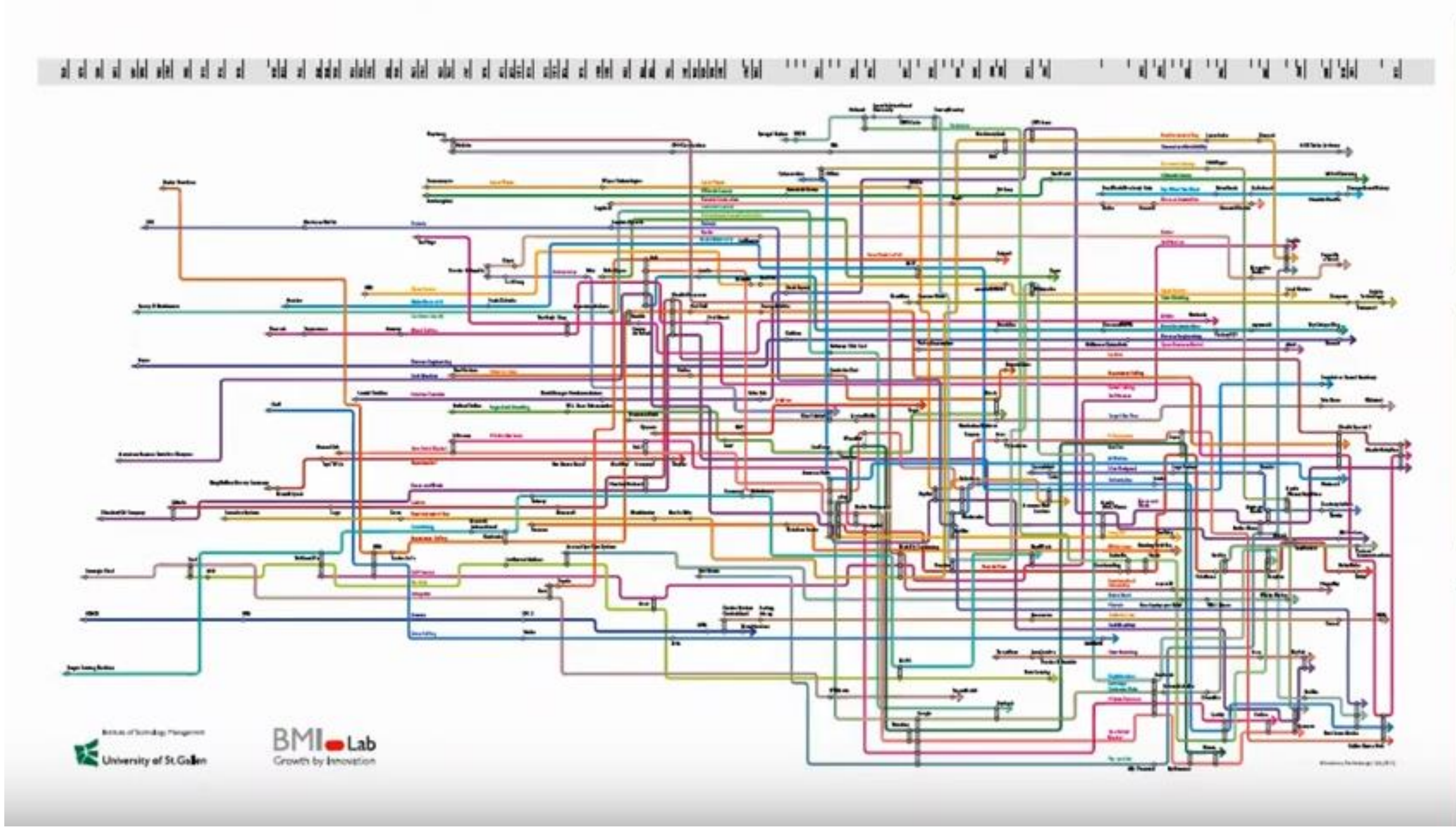
Gassmann, Frankenberger, Csik: The St. Gallen Business Model Navigator (2015) p.23

Strategies for new business ideas



Gassmann, Frankenberger, Csik: The St. Gallen Business Model Navigator (2015) p.24

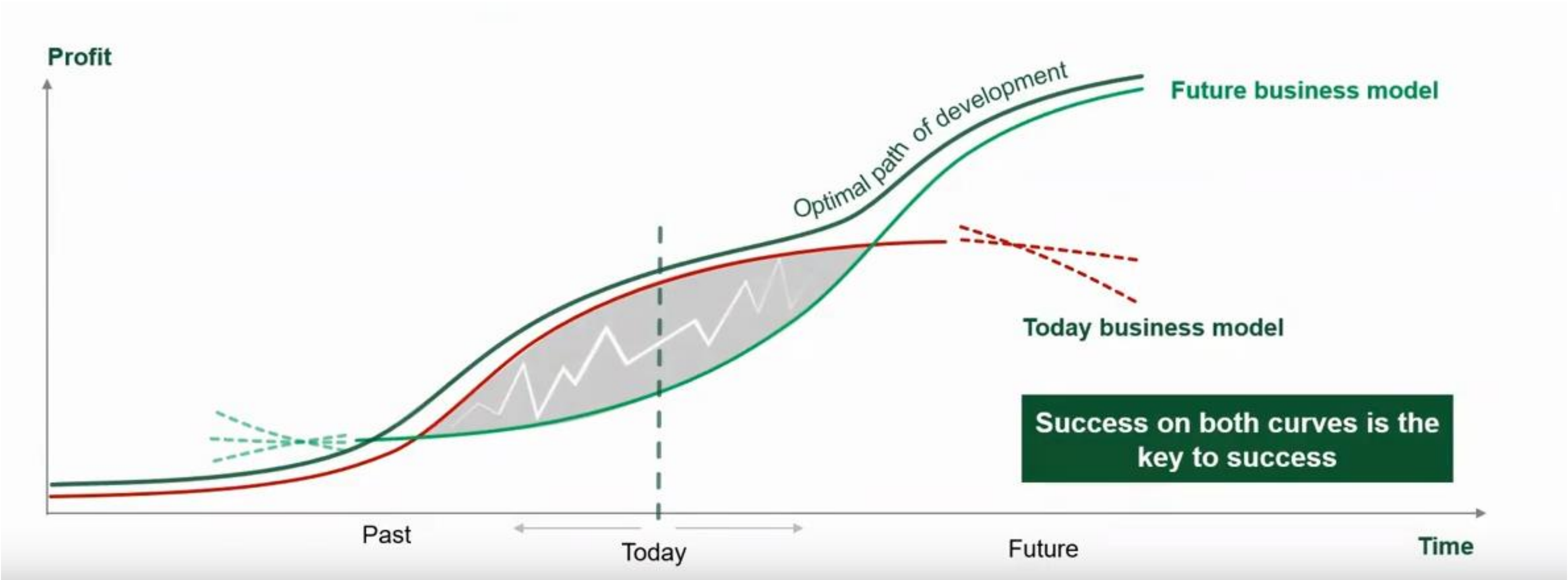
The learnings from the BMI team @ University of St.Gallen



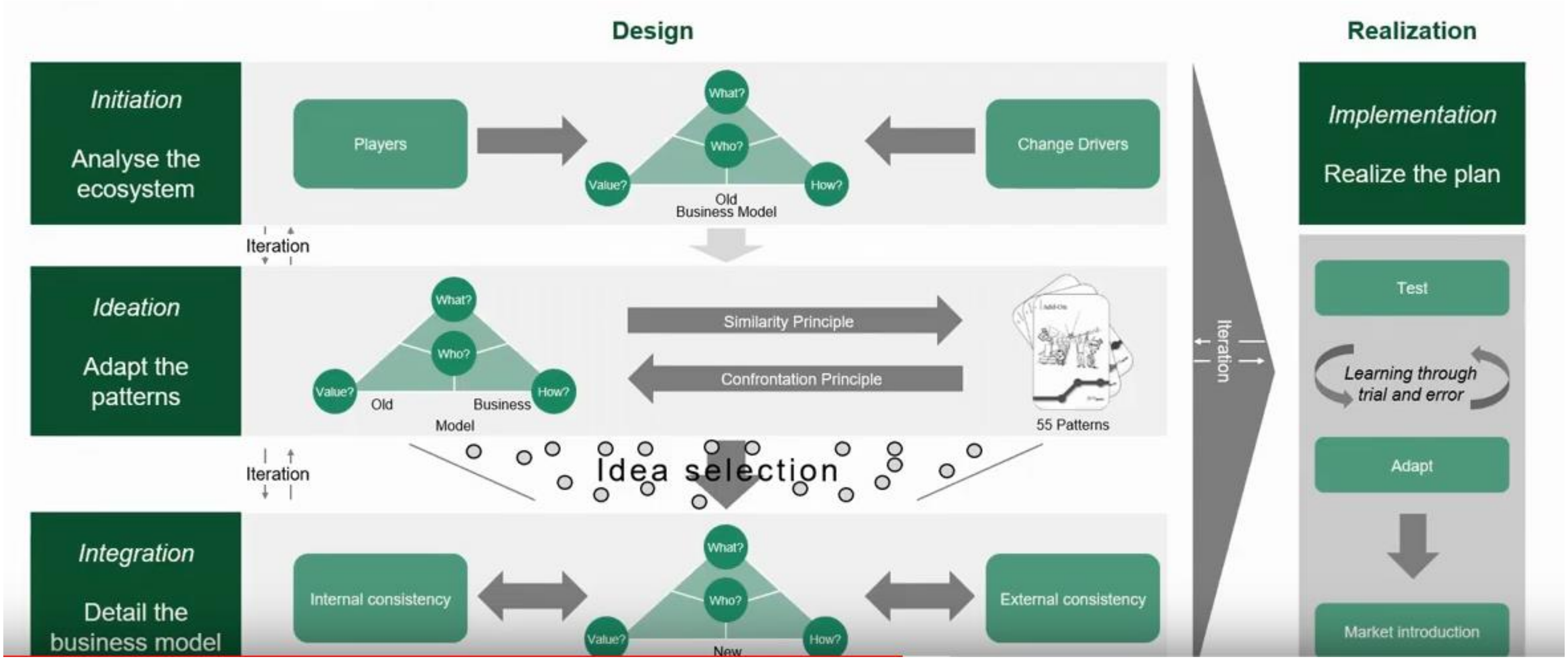
90% of all business model innovations are recombination

55 patterns to systematically innovate your business model

Business Model Innovation is craft rather than art



Slide from Prof. Caroline Frankenberger, Digital Transformation, Mastering Change with Business Model Innovation, Univ. of St.Gallen, Feb. 2019, https://www.youtube.com/watch?v=zZAxPnHK_Z0, Sept. 2021



Gassmann, Frankenberger, Csik: The St. Gallen Business Model Navigator (2015) p.21

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The core question in the «Cognitive School»:

How McDonald's would rule your company ?

jobs.mcdonalds.ch Aug. 2019

McDonald's as a representative to . . . . → Study a genre of firms: «Business format franchising»

4 generic business models*

- The four models are:
- ***Asset Builders***: These companies build, develop, and lease physical assets to make, market, distribute, and sell physical things. Examples include Ford, Wal-Mart, and FedEx.
- ***Service Providers***: These companies hire employees who provide services to customers or produce billable hours for which they charge. Examples include United Healthcare, Accenture, and JP Morgan.
- ***Technology Creators***: These companies develop and sell intellectual property such as software, analytics, pharmaceuticals, and biotechnology. Examples include Microsoft, Oracle, and Amgen.
- ***Network Orchestrators***. These companies create a network of peers in which the participants interact and share in the value creation. They may sell products or services, build relationships, share advice, give reviews, collaborate, co-create and more. Examples include eBay, Red Hat, and Visa, Uber, Tripadvisor, and Alibaba.

*** Derived and refinded from «the process school»**
Barry Libert, Jerry Wind, Megan Beck; The Network Imperative, 2016 (book) and «What Airbnb, Uber, and Alibaba Have in Common", November 20, 2014, (hbr article)

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Business model : Freemium

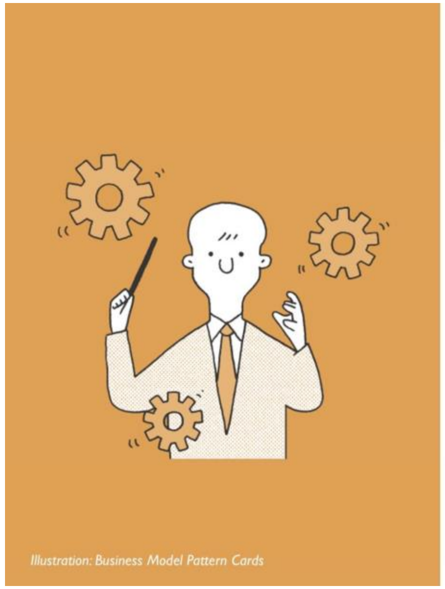
Free basic Basic services are free of charge, premium services were charged

	Dropbox	LinkedIn	NYTimes.com	Spotify
WHAT IT IS	A cloud storage and file-sharing service	A social media site for professional networking	A digital, enhanced version of the print newspaper	A music streaming and downloading service
WHAT'S FREE	2 GB of storage, with up to 16 GB more for referring friends	Creating a profile, making connections, basic communication	10 articles a month	Unlimited music, interspersed with ads
WHAT'S PREMIUM	100 GB of storage for \$9.99 a month	Advanced searches and communication, starting at \$19.95 a month	Full access, starting at \$3.75 a week	Downloads and ad-free streaming for \$9.99 a month
HOW MANY USE IT	More than 200 million users (free and premium)	277 million users (free and premium) at the end of 2013	53.8 million visitors in December 2013; 760,000 subscribers	24 million users, of whom 6 million are subscribers

From; Kumar Vineet, Making „Freemium“ work, Harvard Business Review, Mai 2014

E-Cell, IIT Guwahati; Freemium Business Model, Sep. 2018
https://medium.com/@edc.iitghy/freemium-business-model-8e6e06886b4b Sept 2021

Business Model: Orchestrator «orchestring the different services abmong the value chain»



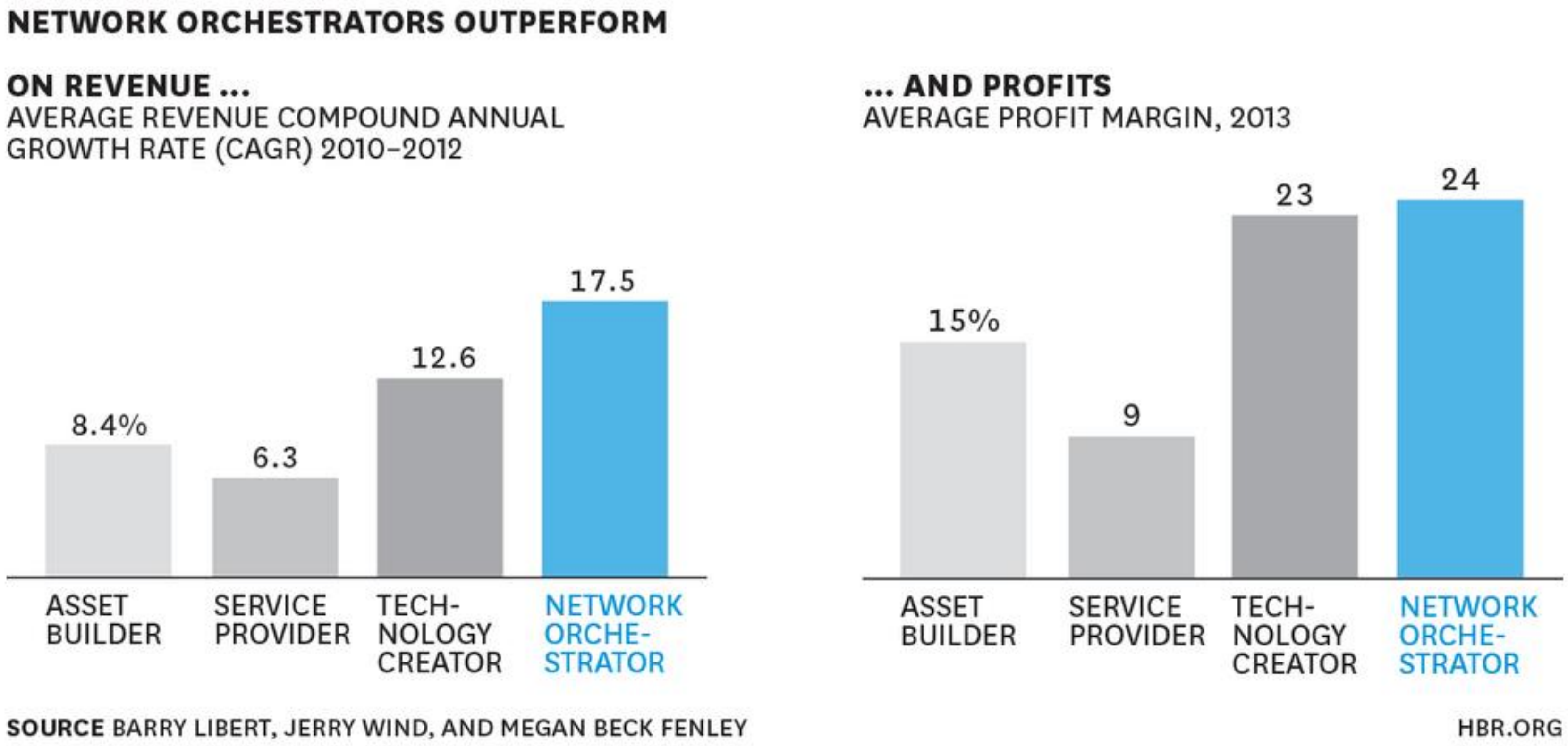
Orchestrator

Examples of companies applying this pattern:

helvetia SONY
NIKE P&G

bmi lab @University of St.Gallen

Still, the most profitable business model is «the orchestrator»

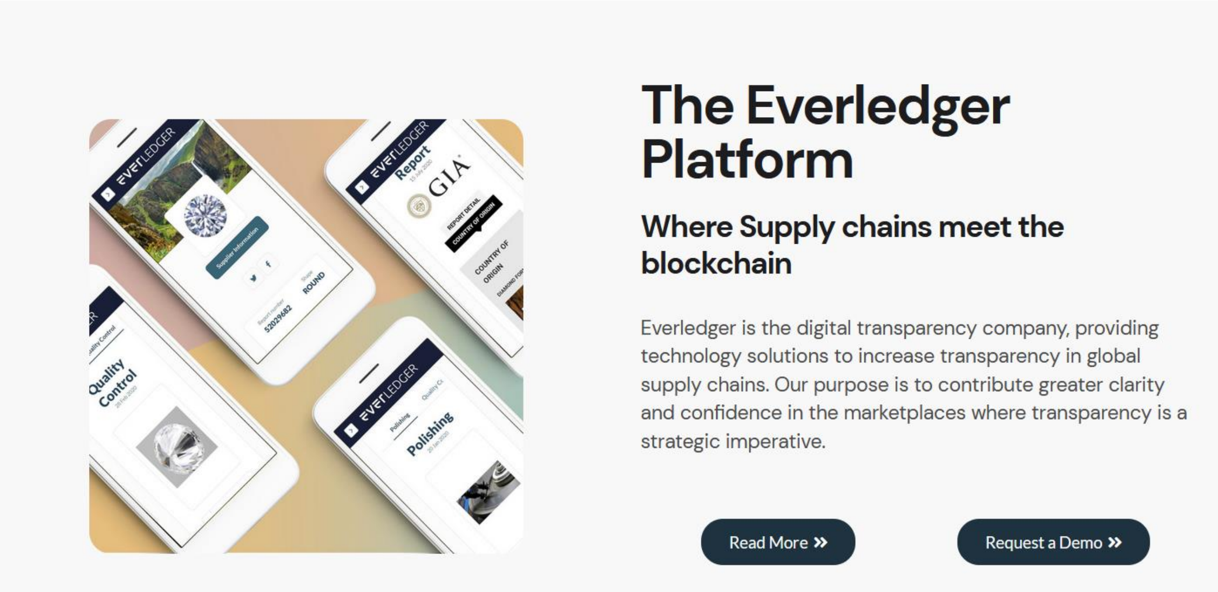


One of the first business model innovation Servitization: «Power-by-the-Hour» @ Rolls Royce

http://www.zephram.de/blog/geschaeftsmodellinnovation/beispiel-servitization/, Aug 2021

Example of Everledger & provenance-proof; Business Model build on Blockchain

Wine & Spirits
EVER MORE
authenticity



JUNE 28, 2021 | APPAREL

How fashion brands are taking advantage of blockchain apparel

The fast-growing consumer desire for sustainable clothing is increasing demand for blockchain apparel solutions that allow brands to communicate traceability and ethical sourcing. The luxury apparel industry is adapting to three key challenges. Firstly, there is the rapid growth of counterfeiting, which has

Everledger and Gübelin

In 2018, Swiss Jewellery Com
Gübelin initiated in cooperation with Everledger
provenanceproof.io

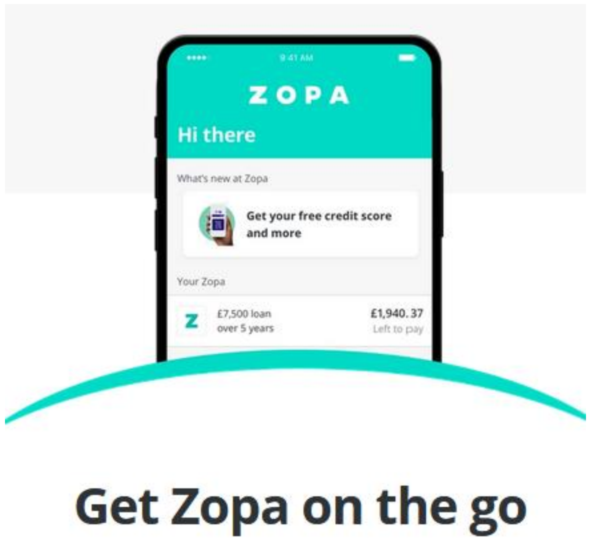
https://everledger.io/everledger-and-gubelin/, Sep. 2021

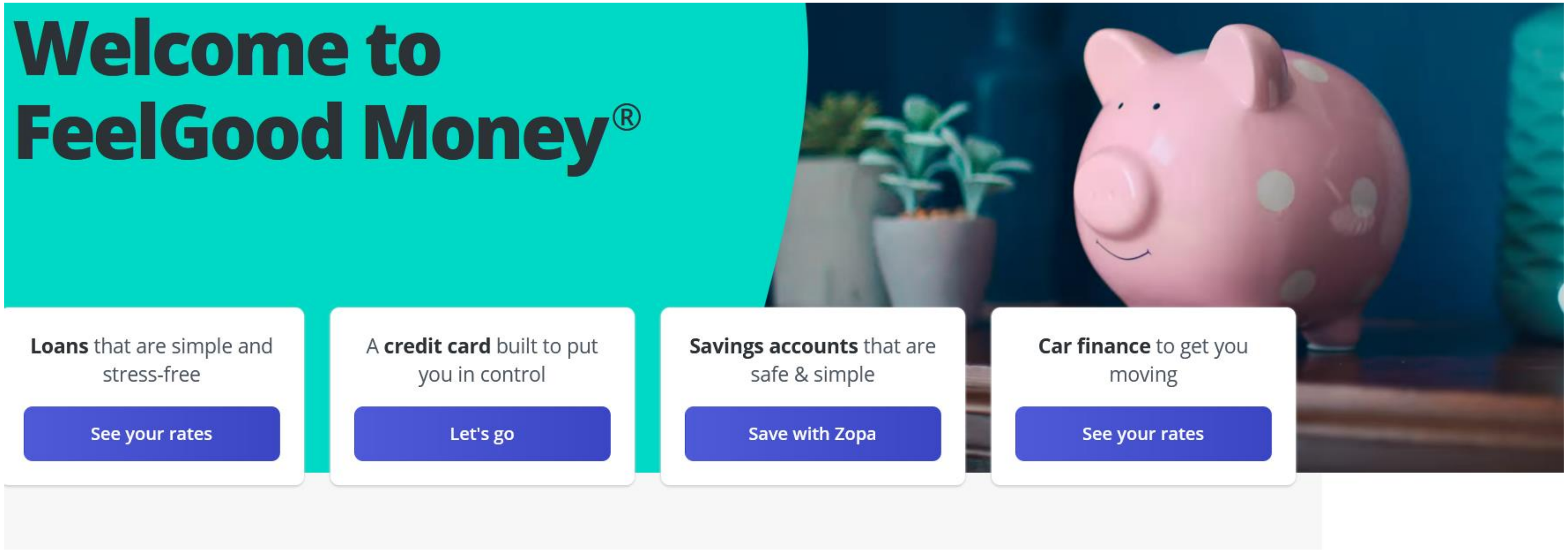
www.everledger.io (Sep. 202

https://www.provenanceproof.com/provenance-proof-blockchain, Aug. 2021

A business model innovation in the finance industry: Zopa Limited established 2005 (!)

ZOPA



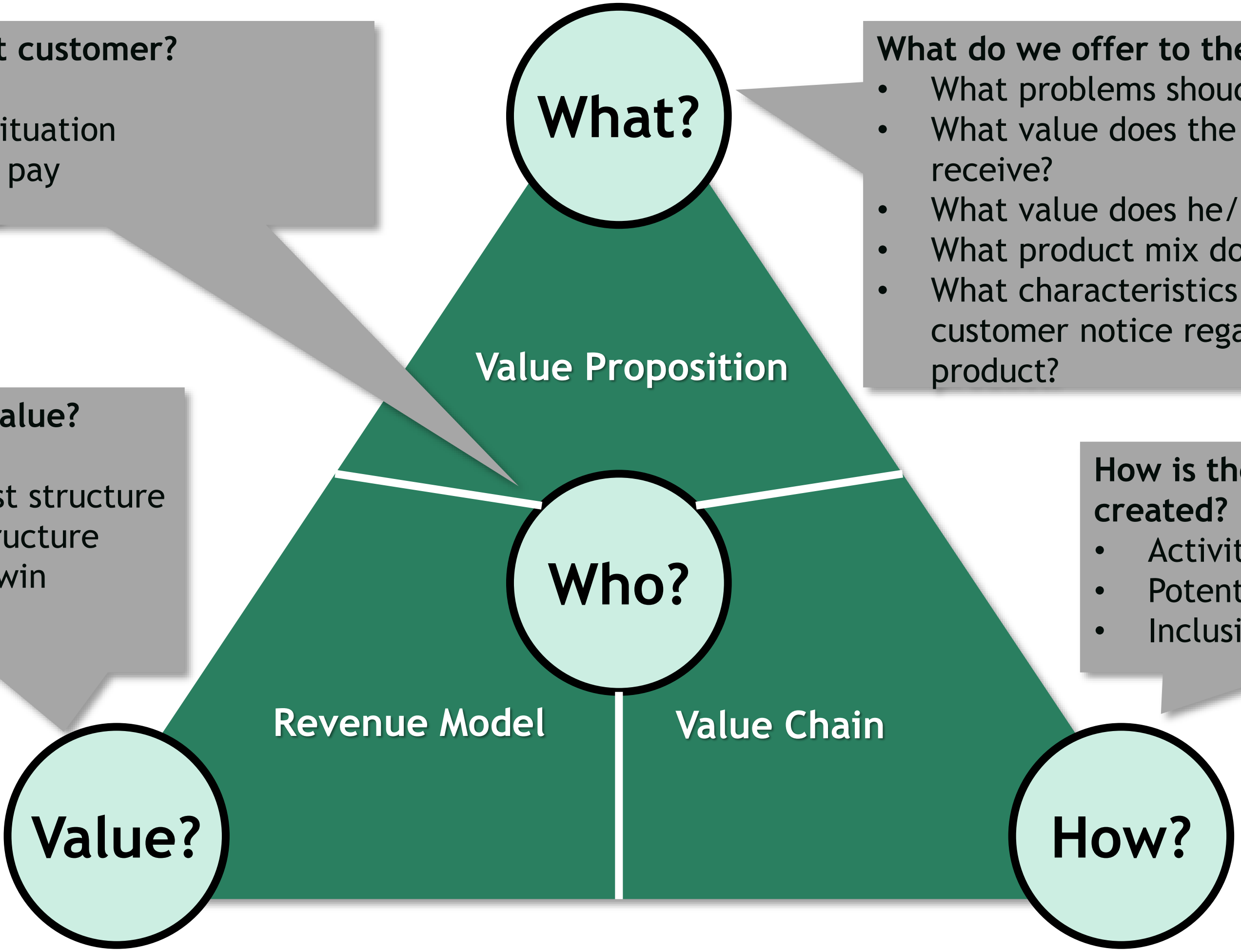


www.zopa.com, Sep 2021

Testing Business Model(s) first is crucial!

Who is our target customer?
- needs
- Personal life situation
- Willingness to pay
- Human Values

What do we offer to the customer?
- What problems shoud be solved?
- What value does the customer receive?
- What value does he/she notice?
- What product mix do we offer?
- What characteristics does the customer notice regarding our product?



How we create value?
- Revenue logic
- Links from cost structure to revenue structure
- Create a win-win situation

How is the value proposition created?
- Activities
- Potential for optimization
- Inclusion of partners

Gassmann, Frankenberger, Csik: The St. Gallen Business Model Navigator (2015) p.55

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References

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- *Gassmann, Oliver; Frankenberger, Karolin; Sauer, Roman, Exploring the field of Business Modell Innovation; New Theoretical Perspective; Palgrave Macmillan, 2016, Chapter 1 &2, p. 1-5, p19-22 (recombination school) p.24-30 (Nespresso Case)*
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- *Lingens,Bernhard, Boeger,Maximilian, Gassmann, Oliver; Even a Small Conductor can lead a big orchestra, Berkeley Haas Feb. 2021*
- *Kumar,Vineer, Making «Freemium» Work, Harvard Business Review, Mai 2014*
- *Tomaro, Nina; 9 proven Business Models to consider for your start-up (updated Nov. 2016) https://www.huffingtonpost.com/nina-tomaro/9-proven-business-models-_b_7949932.html (Aug 2021)*
- *Harvard Business Review on Business Modell Innovation; Harvard Business Press, Boston 2010 pp 47-70*
- *Harvard Business Review on “Inspiring & Executing Innovation”; Harvard Business Press, Boston 2011*