

Strategic Business Innovation

Digital Business Development



You should already know the Business Model Canvas and the Value Proposition Canvas.

If you don't know, please have a look at the indicated videos as a starting point.

As the business model canvas was designed 2008, we need to adjust it for the Digital Age.

The adjustment now takes digital eco-systems into account.

The distinction between contributions that come from oneself and contributions that come from partners is emphasized.





The Business Model Canvas is a Helpful Visualization while Discussing Innovations from a Strategic Perspective

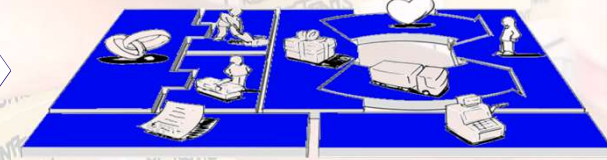
But in its original form it is based on the premises of the industrial age.

For the Digital Age we are adjusting the BMC.

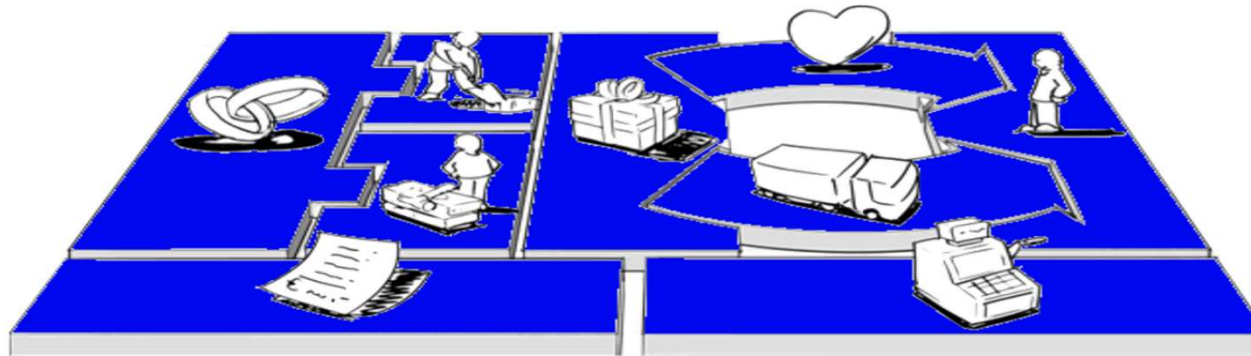


Business Development

Business / Strategy



Business Model Canvas



What's a Business Model ?

According Al-Debei, M. M., El-Haddadeh, R., & Avison, D.

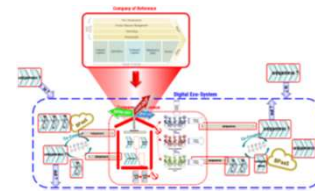
"Defining the business model in the new world of digital business" :

"A business model is an abstract representation of an organization, be it conceptual, textual, and/or graphical, of all core interrelated architectural, co-operational, and financial arrangements designed and developed by an organization presently and in the future, as well as all core products and/or services the organization offers, or will offer, based on these arrangements that are needed to achieve its strategic goals and objectives."*)

in short :

A brief outline of arrangements, needed to achieve strategic objectives.

*) Proceedings of the Americas Conference on Information Systems (AMCIS), <http://bura.brunel.ac.uk/bitstream/2438/2887/1/AMCIS2008.pdf>



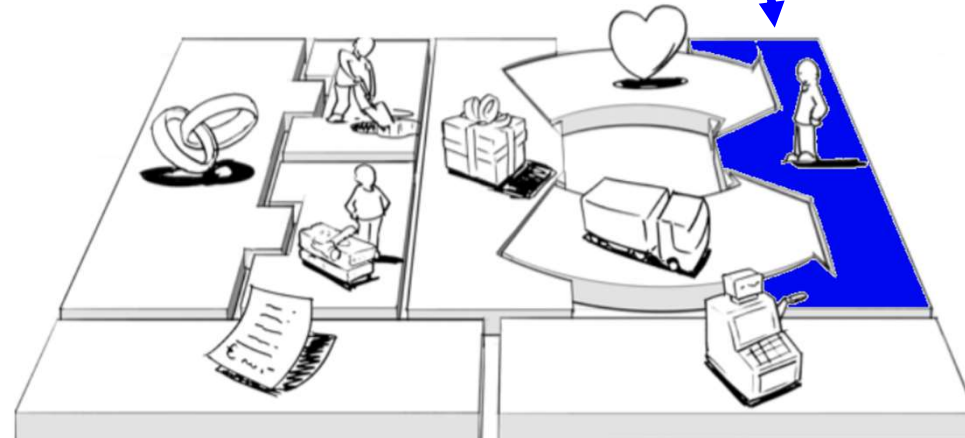
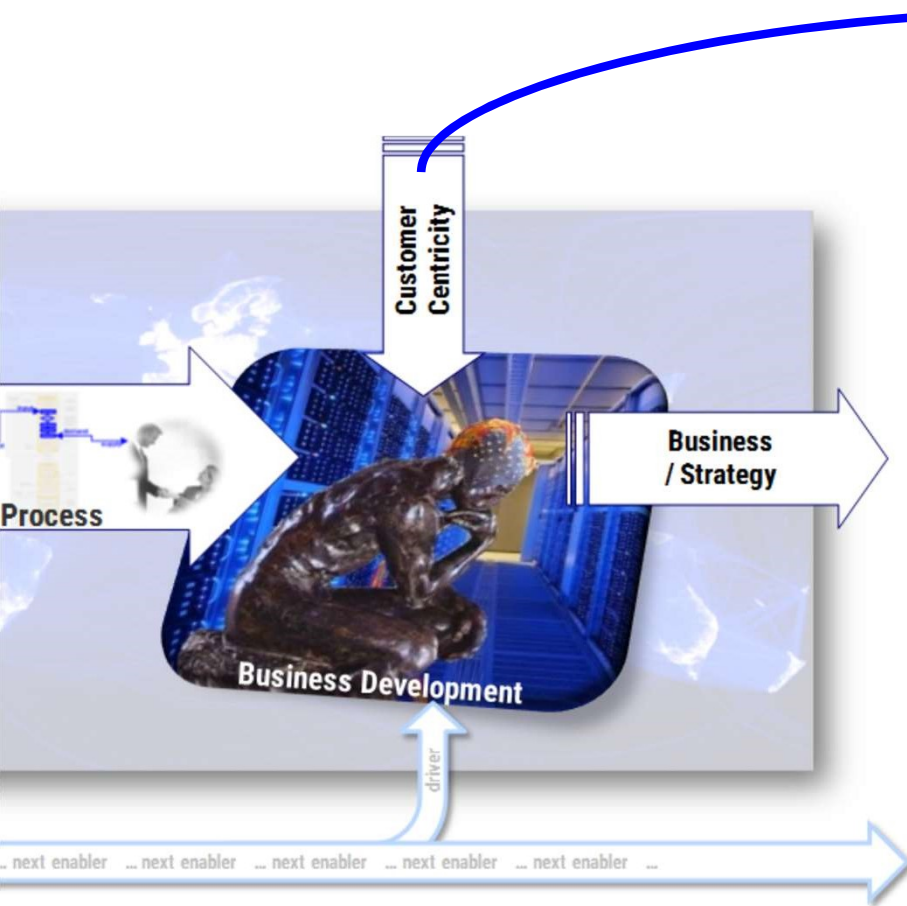
Application of the Business Model Canvas in the Digital Age

customer centricity

If we address an additional, not yet defined customer segment, we can of course use the canvas here, as described by Osterwalder.

But :

If we join an existing Digital Eco-System, the customer picture can already be defined. In this case, our decision options are limited.

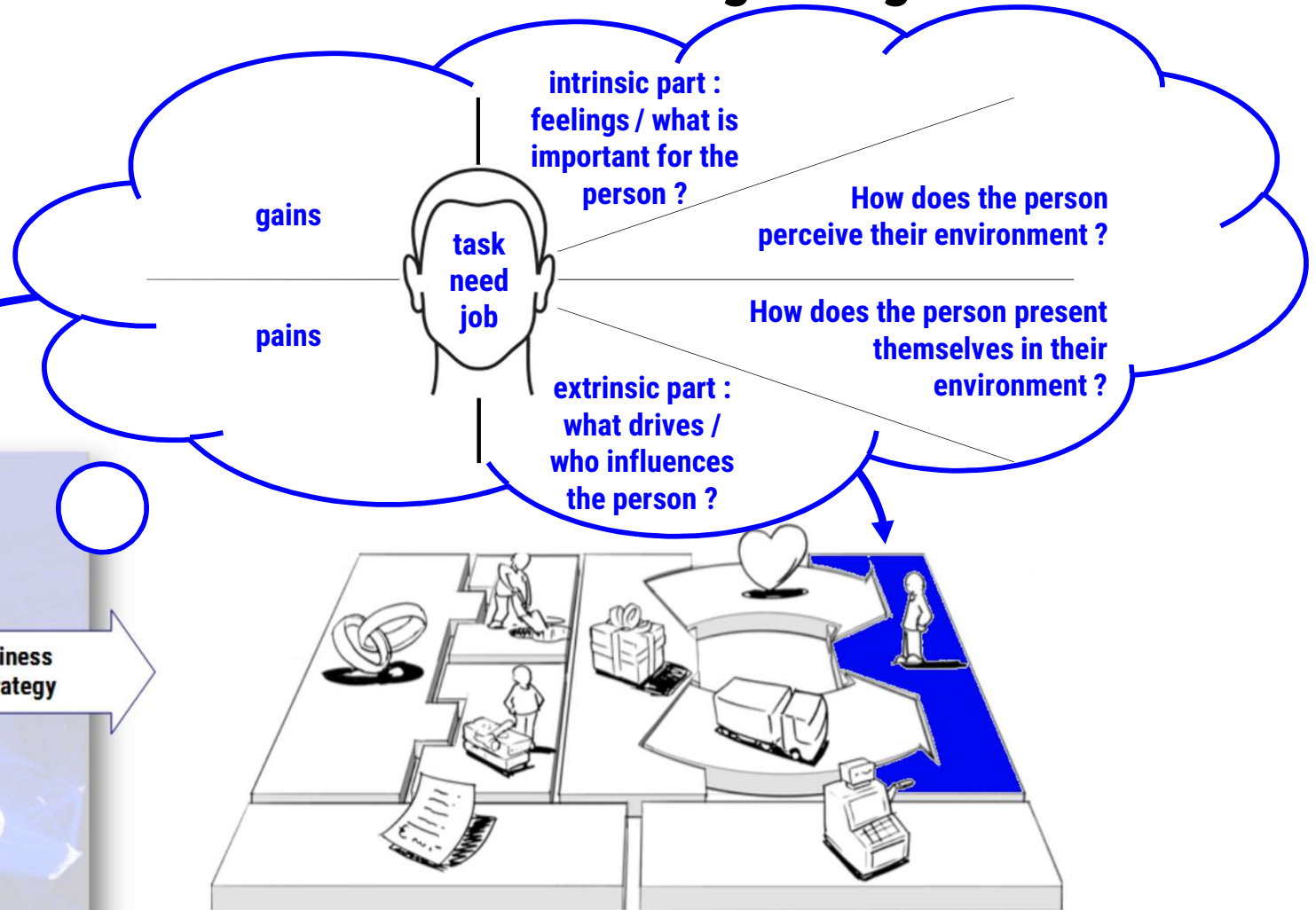
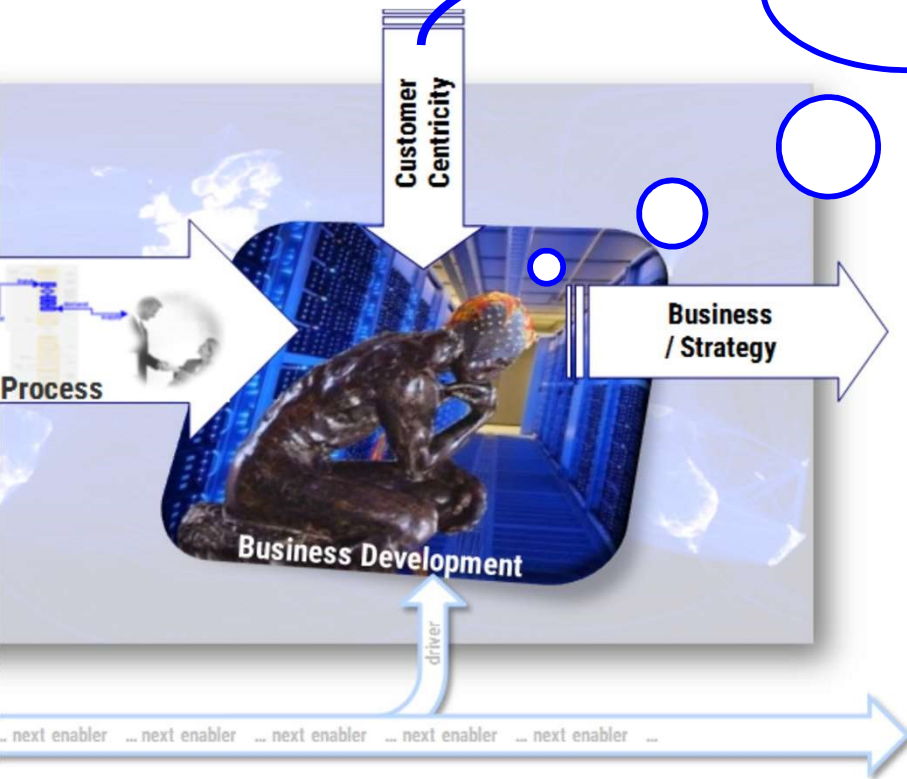




Application of the Business Model Canvas in the Digital Age

customer centricity

If we join an existing Digital Eco-System, we can find additional gains by describing the customer, we want to create, in form of a persona^{*)}.



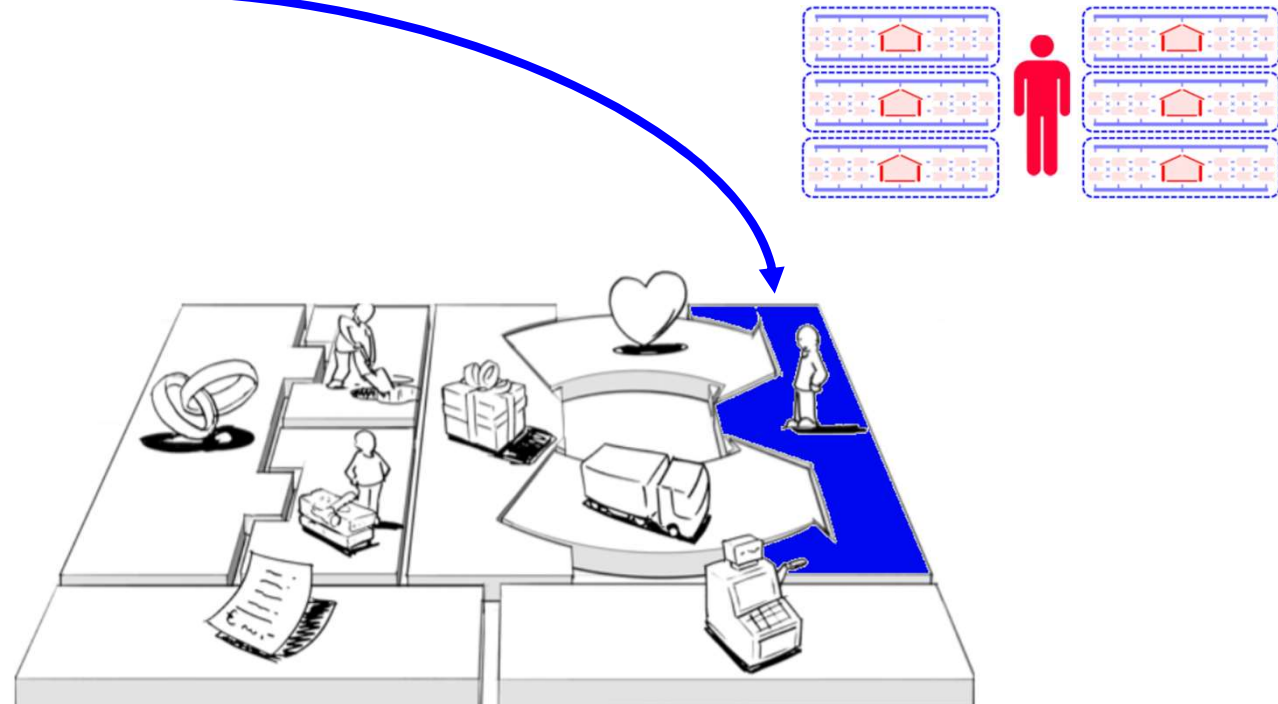
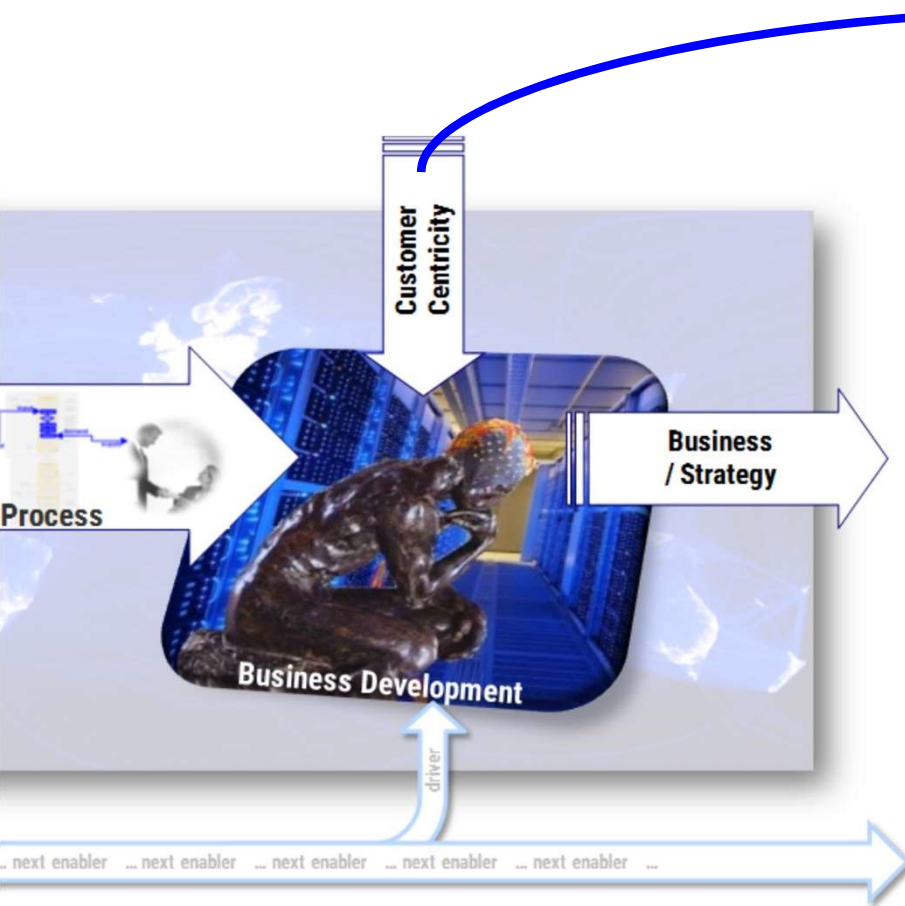
^{*)} In psychology, a persona is the outwardly shown attitude of a person. We use the term to describe a semi-fictional character that represents a typical customer. It helps to discuss the customer expectation.



Application of the Business Model Canvas in the Digital Age

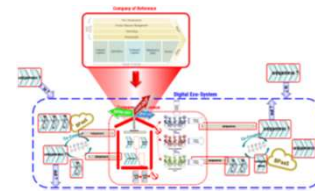
customer centricity

Since a customer in the Digital Age will be a member of several completely different Digital Eco-Systems at the same time, it is helpful to go back to the primary human drivers^{*)}. This can help own a customer before they can be served by competitors.



^{*)} please remember the human motives and driver (conscious motivation or unconscious motivation)

- survival / prosperity
- convenience / laziness
- social needs / eros (sex)
- power / thanatos (aggression)

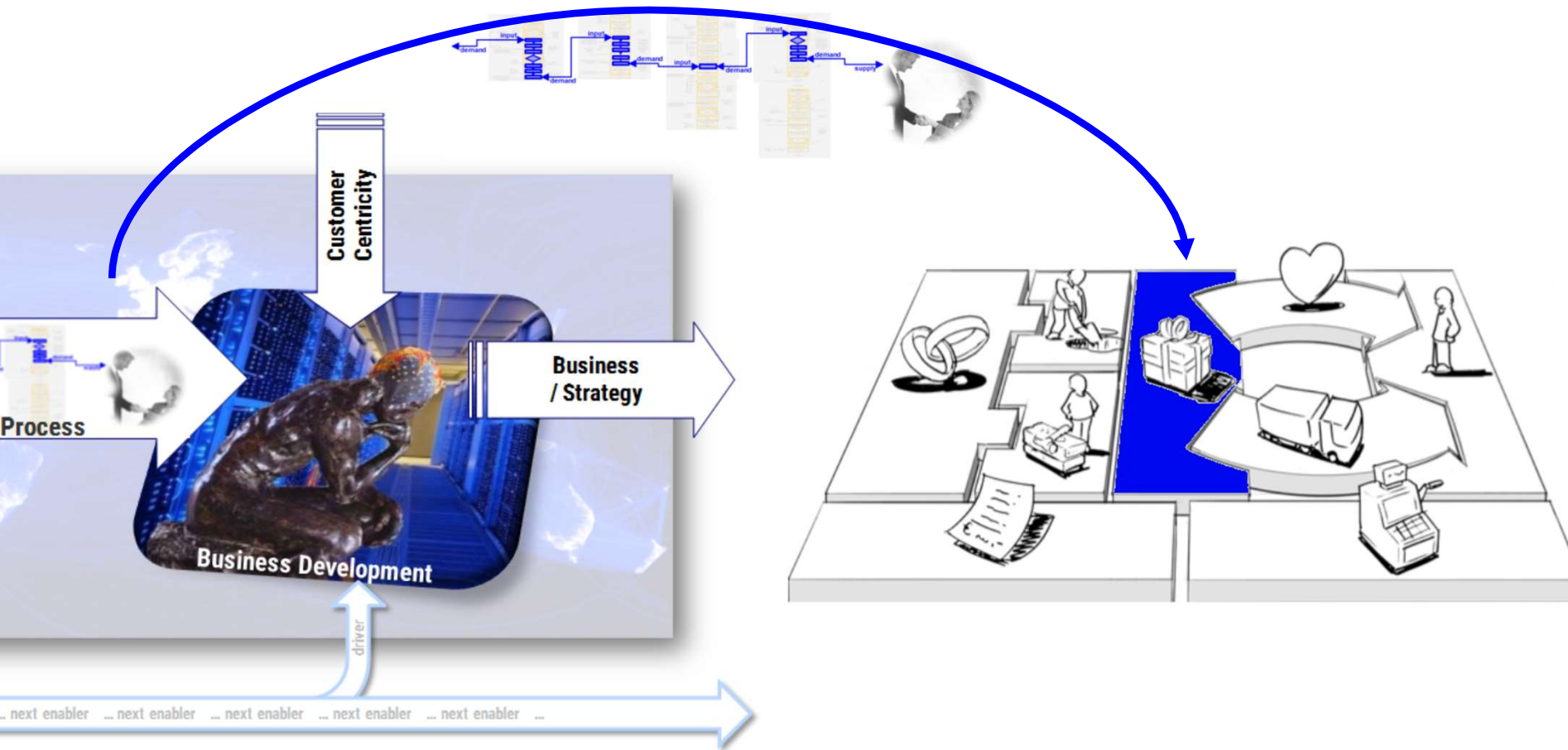


Application of the Business Model Canvas in the Digital Age

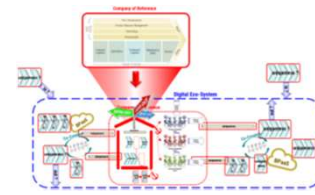
value propositions (USP)

ability to provide digitally innovated products / services

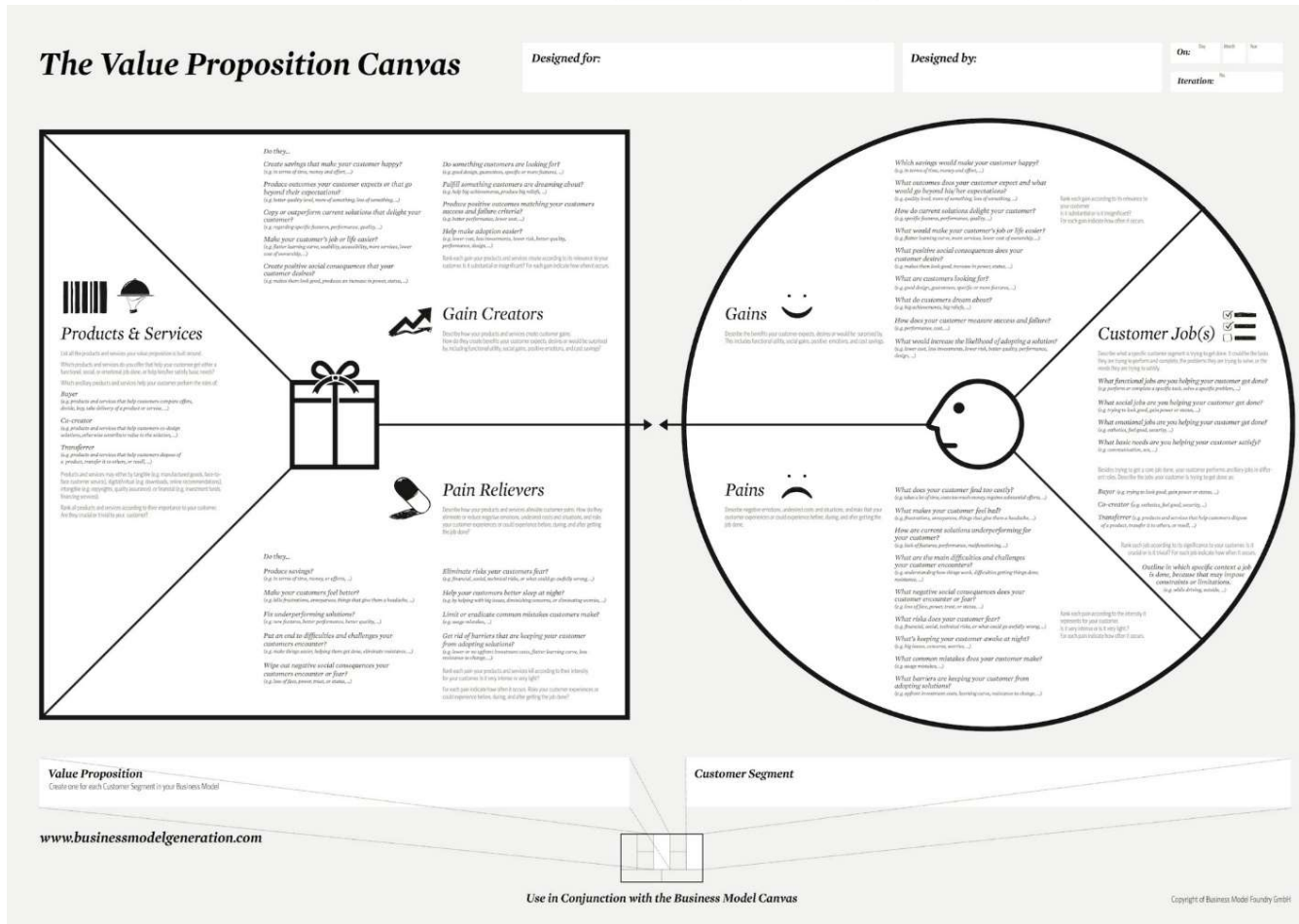
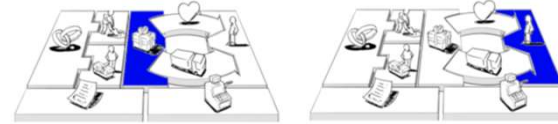
If we want to address a customer with an add-on gain that is already defined, we only describe the value proposition of this add-on gain.

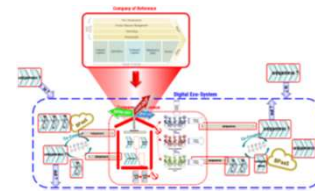


Value Proposition Canvas



value propositions and customer centricity as proposed by Osterwalder

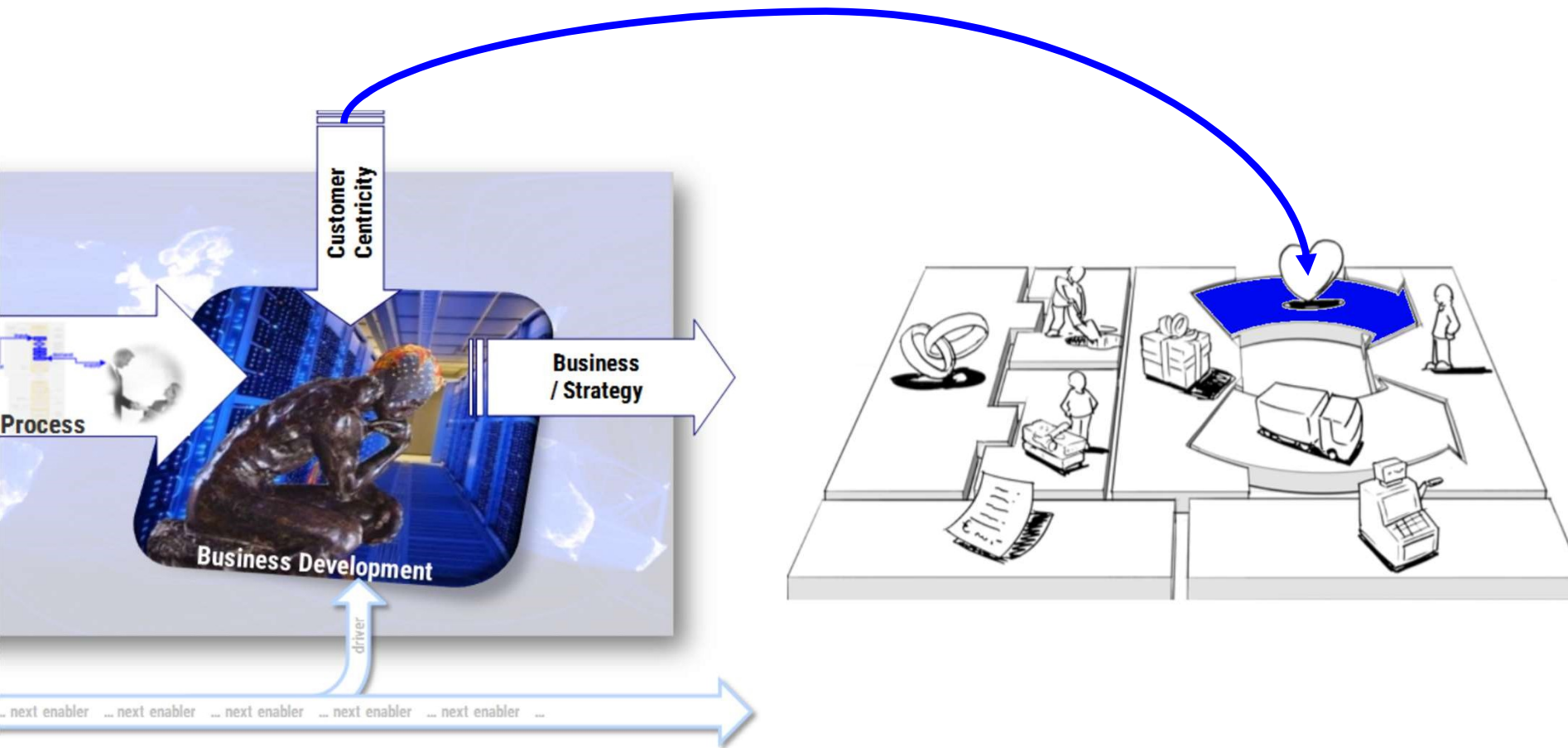




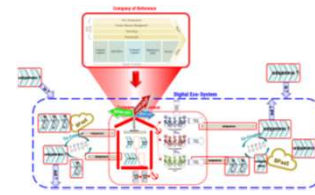
Application of the Business Model Canvas in the Digital Age

possibilities to establish a customer relationship

Here we also examine the relationships that have already been established by other companies in the Digital Eco-System.

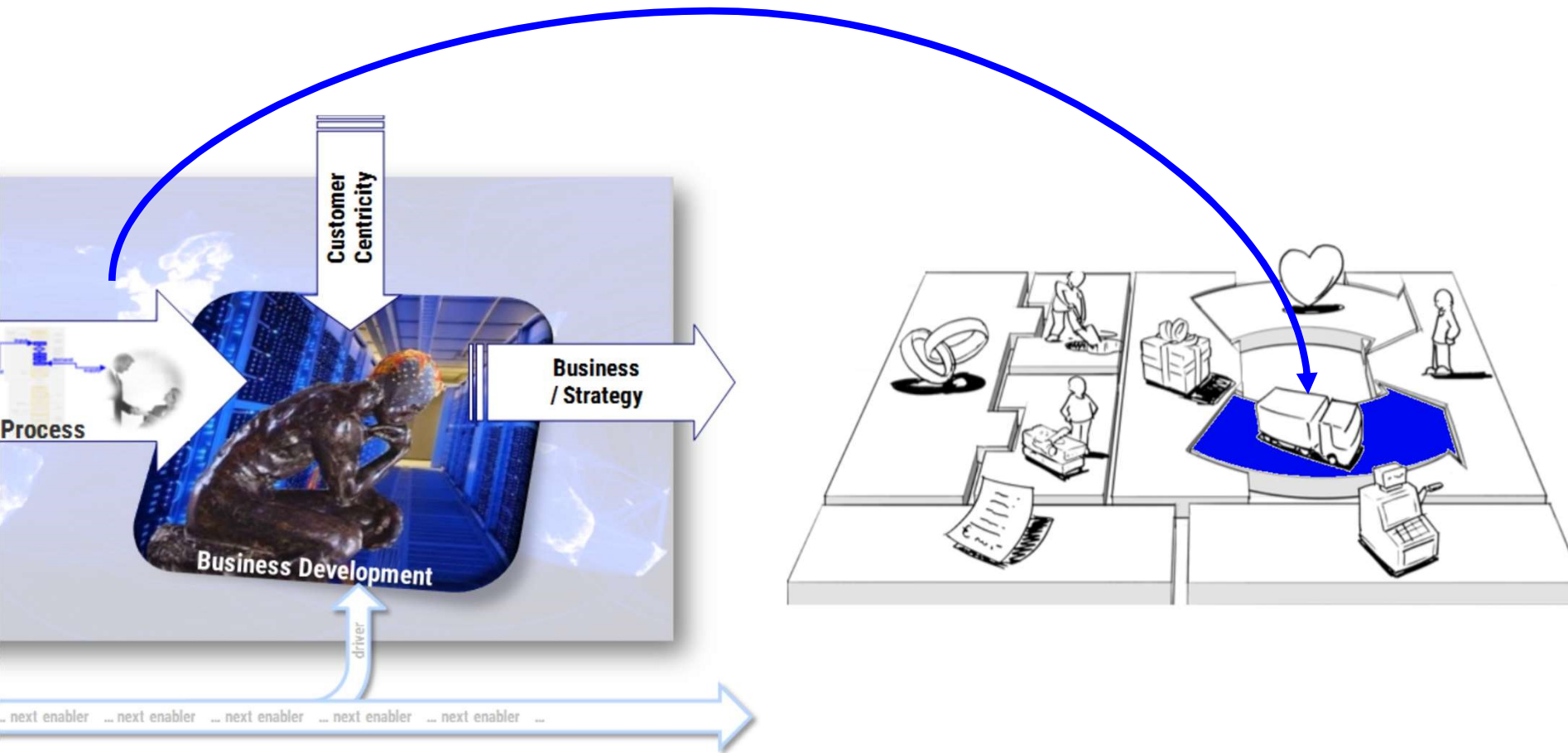


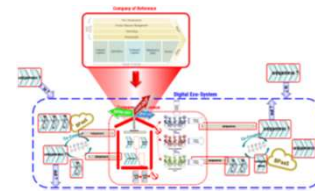
Application of the Business Model Canvas in the Digital Age



channels to supply the product or service

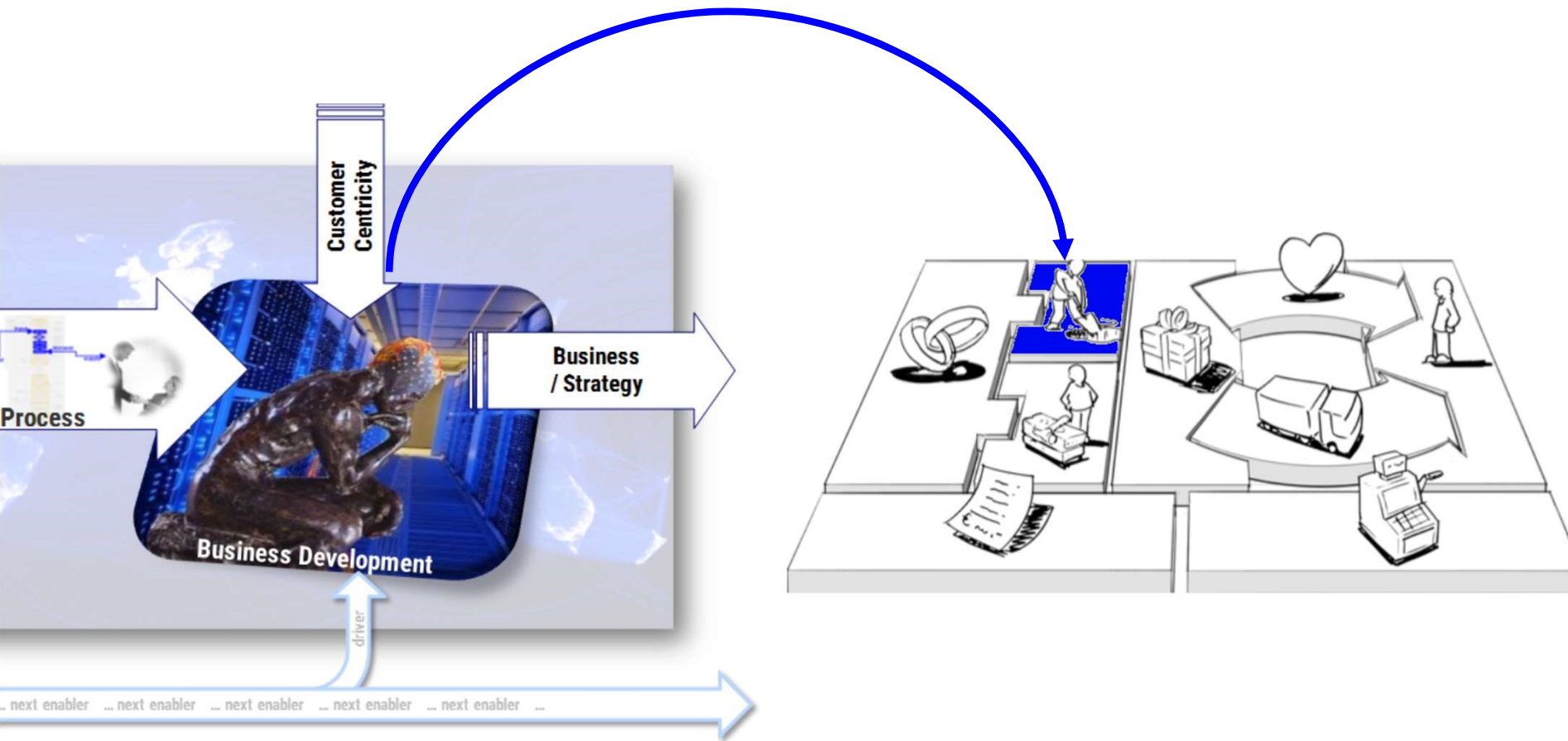
Here we also examine the channels that have already been established by other companies in the Digital Eco-System.





Application of the Business Model Canvas in the Digital Age

With focus on the Industrial Age : "Key Activities"
(What activities are required to meet the value proposition)





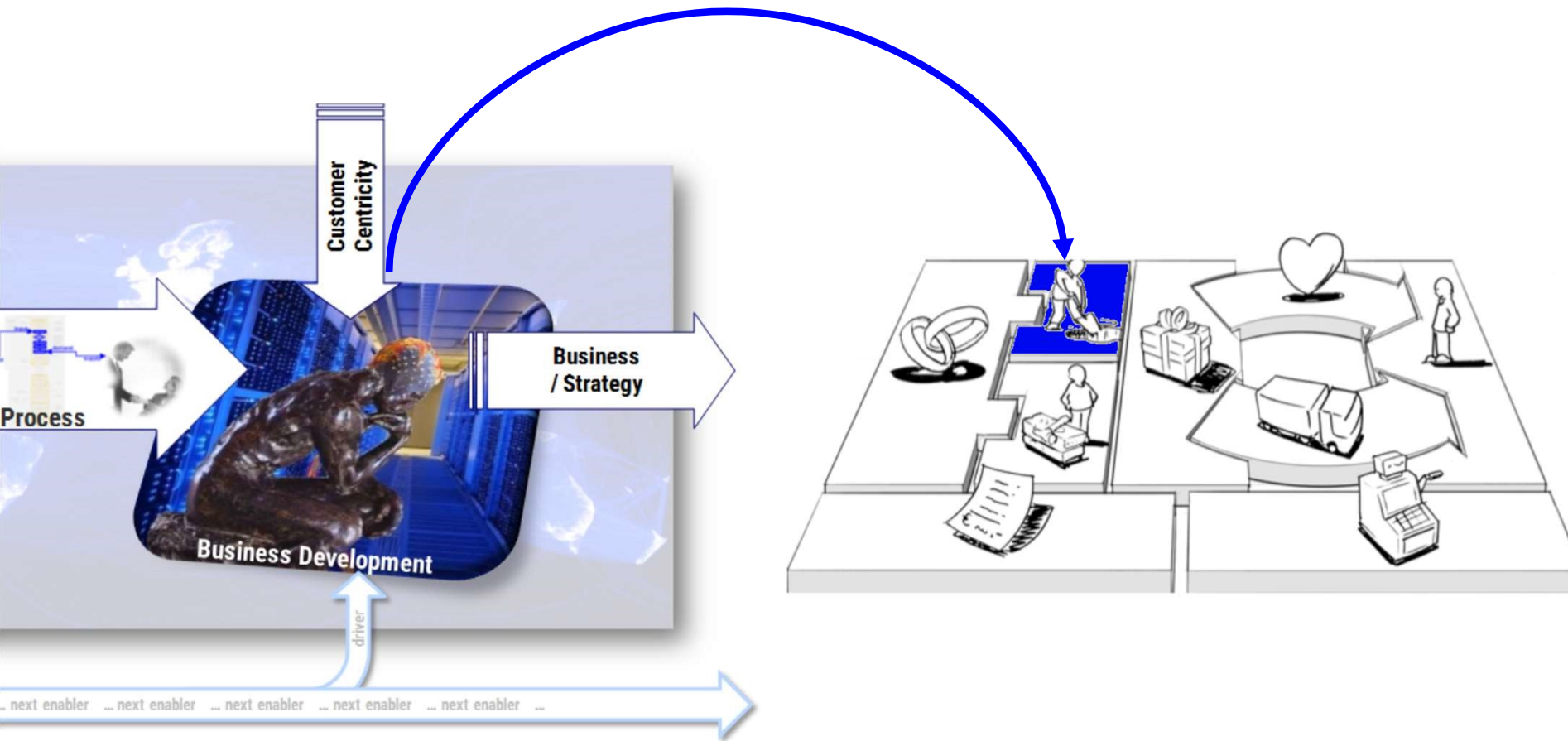
Application of the Business Model Canvas in the Digital Age

With focus on the Industrial Age :

"Key Activities"
(What activities are required to meet the value proposition)

With focus on the Digital Age :

"Key Activities / Orchestration"
The orchestration goes over the fields "Key Activities" and "Key Partners".
In "Key Activities" please mention which contribution is coming from YOU.





Application of the Business Model Canvas in the Digital Age

With focus on the Industrial Age :

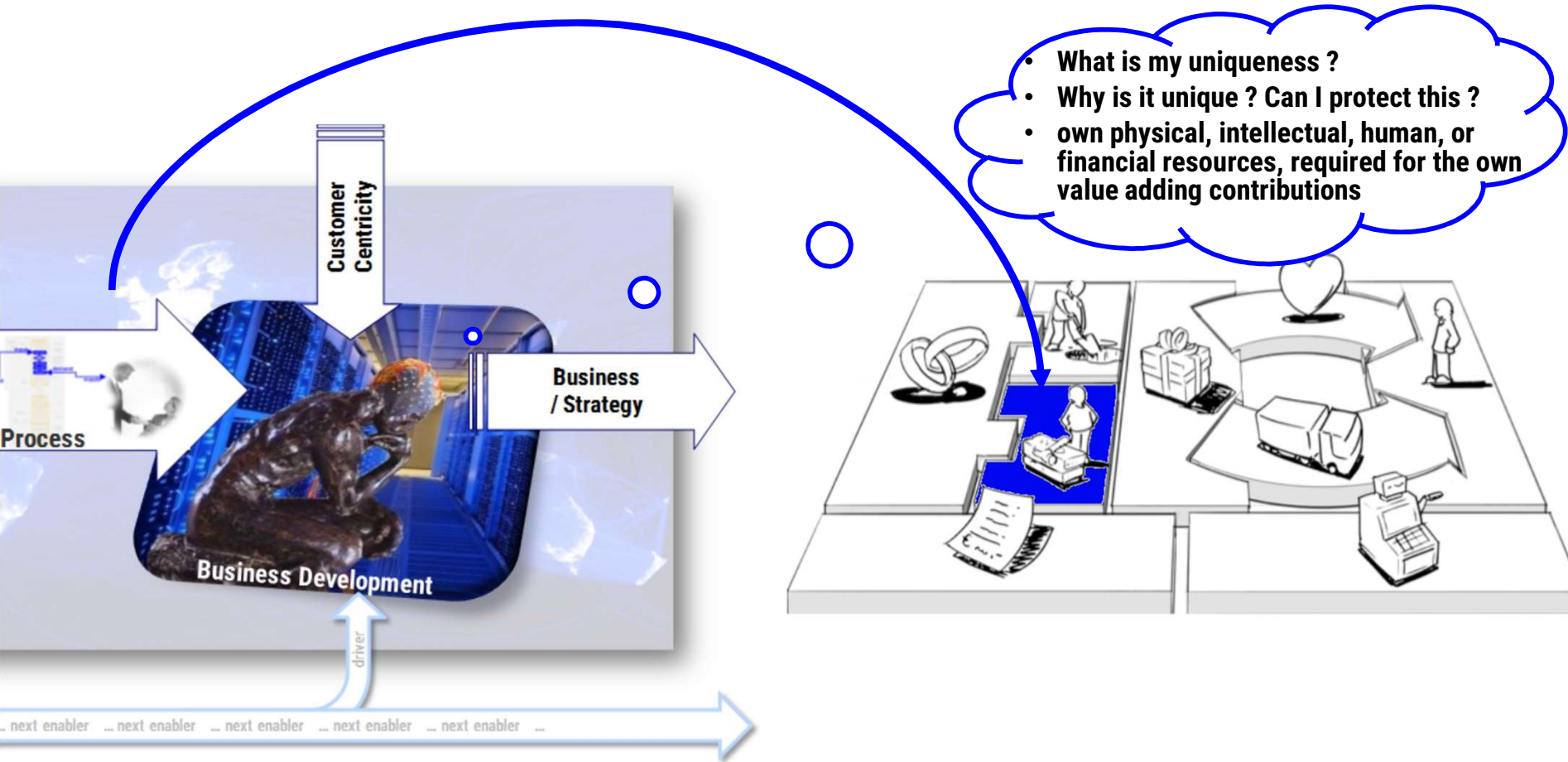
"Key Resources"

(own physical, intellectual, human, or financial resources, required for the mentioned key activities)

With focus on the Digital Age :

"Key Resources / Own Value Adding Contributions"

Please explain WHY your contribution "Key Activities" is coming from you ! (uniqueness)





Application of the Business Model Canvas in the Digital Age

With focus on the Industrial Age :

"Key Partners"

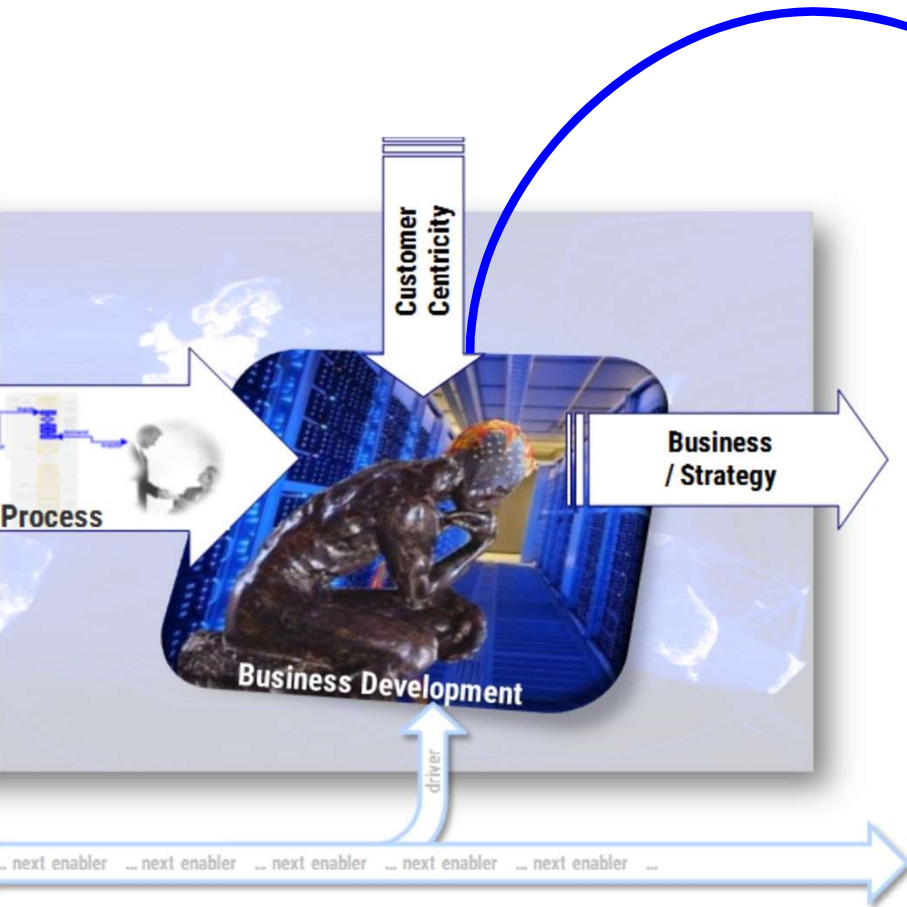
(In the industrial age, suppliers, subcontractors, joint ventures or technology partners were mentioned here.)

With focus on the Digital Age :

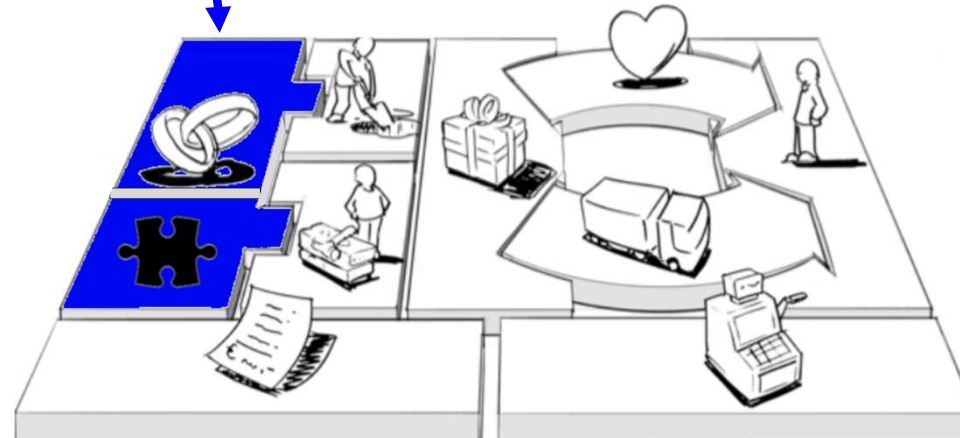
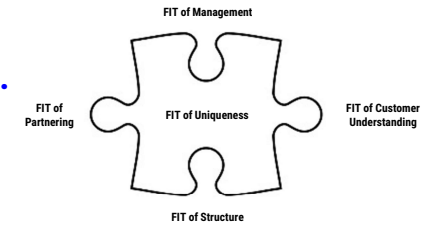
"Key Partners"

The orchestration goes over the fields "Key Activities" and "Key Partners".

In "Key Partners" please mention which contribution is NOT coming from you.



We differentiate between contributions (activities) and the partners who will contribute them. To decide which partners to choose, we use the System-FIT model.

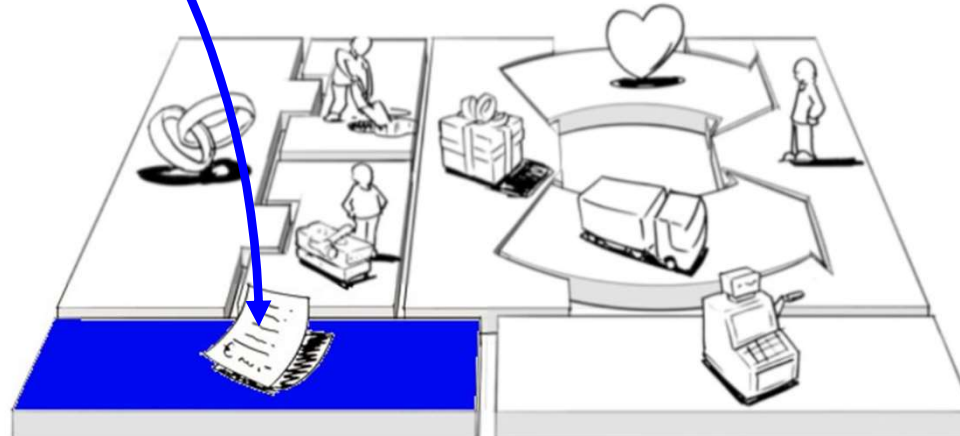
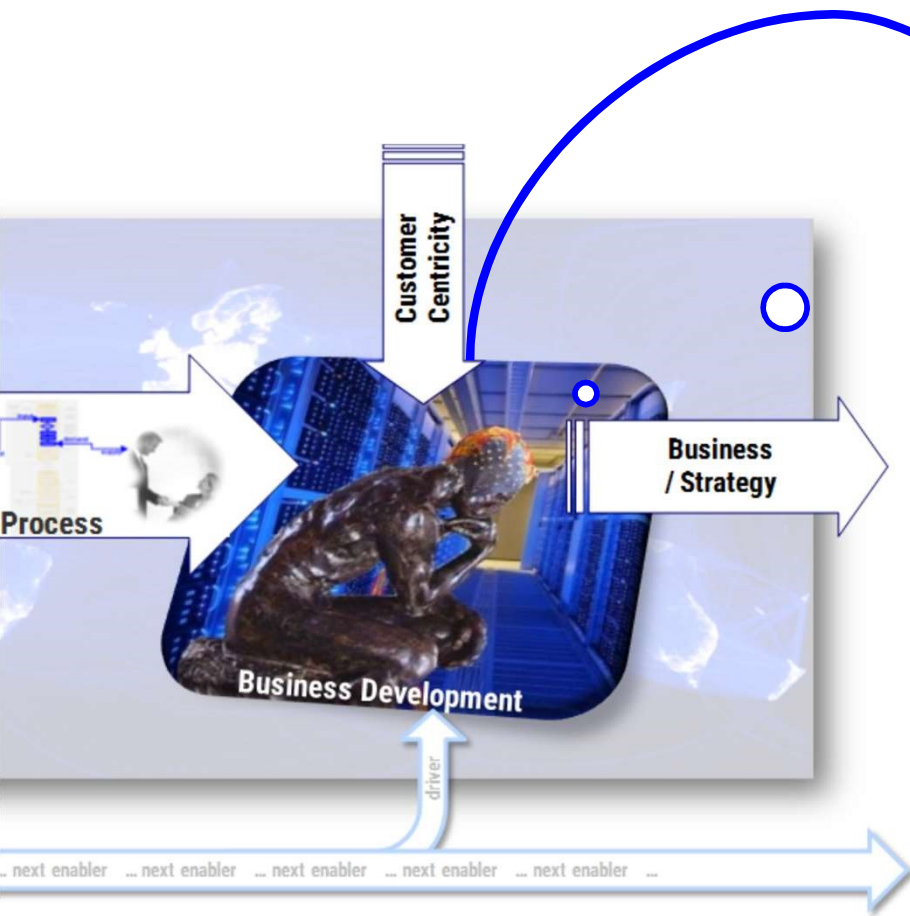




Application of the Business Model Canvas in the Digital Age

cost structure

- What are the costs of **MY** contribution ?
- Will **I** remain able to control the costs ?
- How will be the scale-structure ?

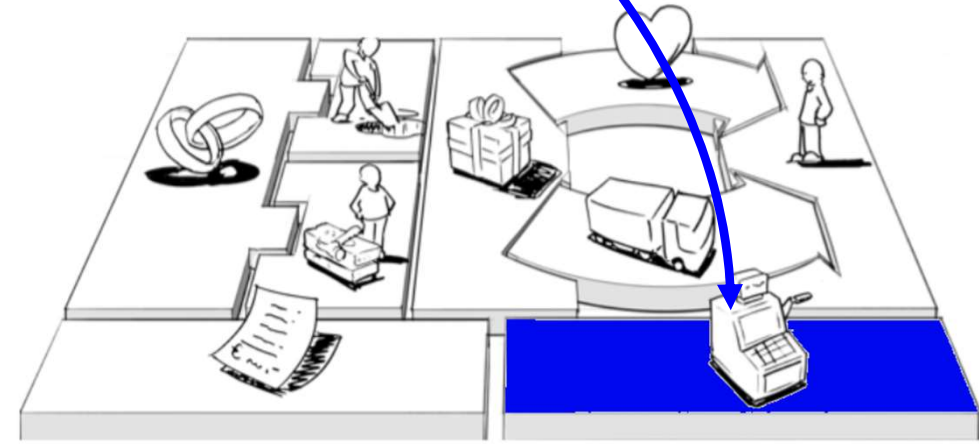
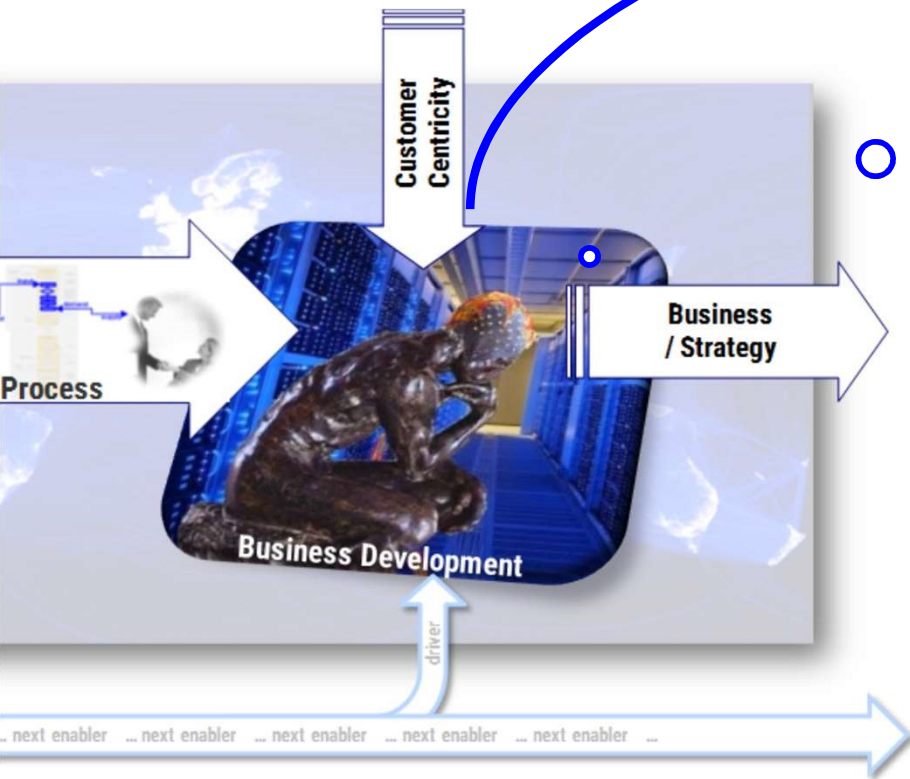




Application of the Business Model Canvas in the Digital Age

possibilities for pricing models

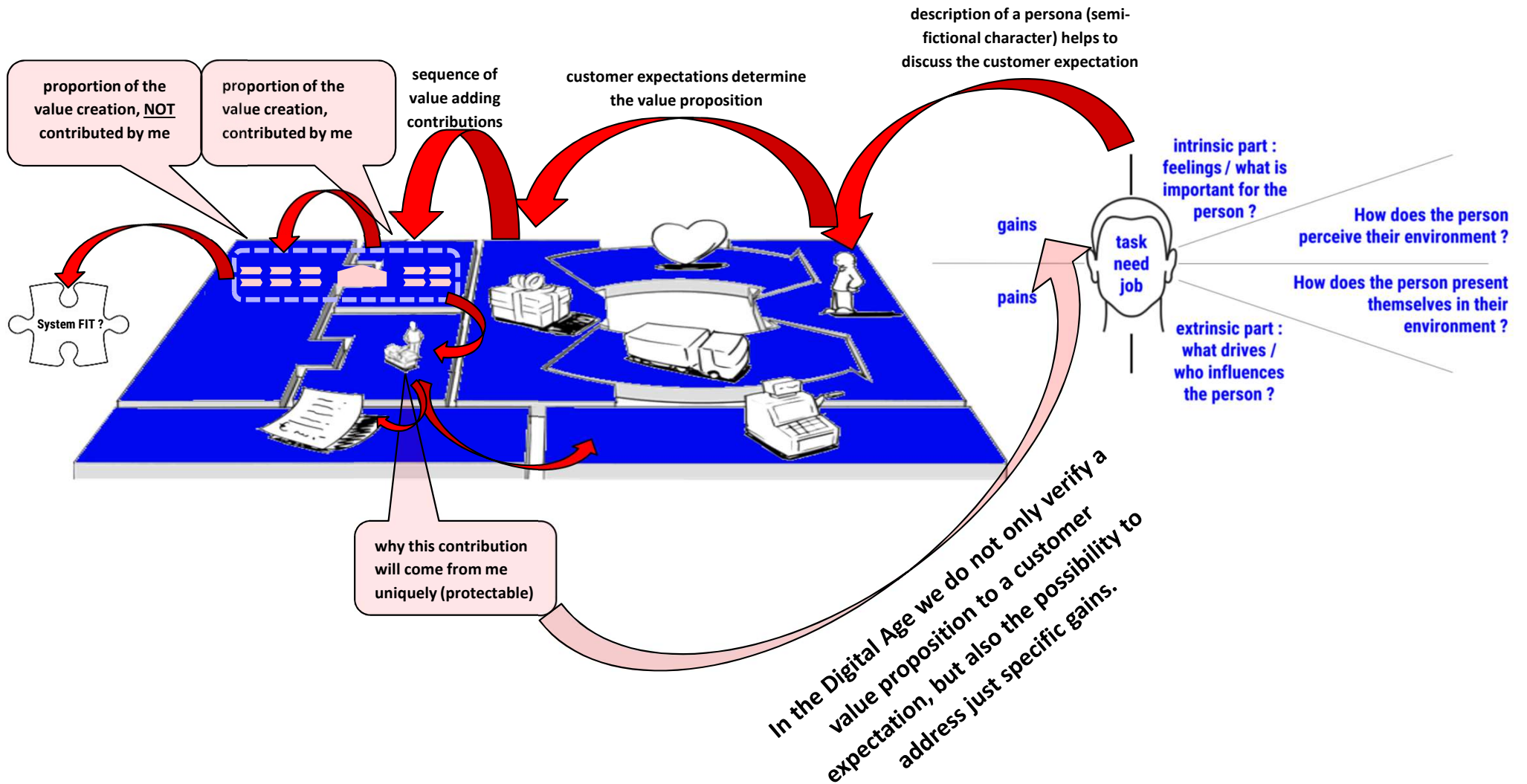
- How can I create revenue from these value propositions ?
- Can I influence / manage the distribution of the revenue in the Digital Eco-System ?

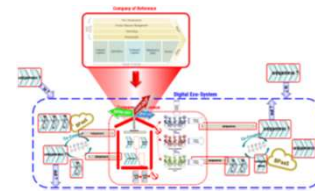




Application of the Business Model Canvas in the Digital Age

summarizing picture





Application of the Business Model Canvas in the Digital Age

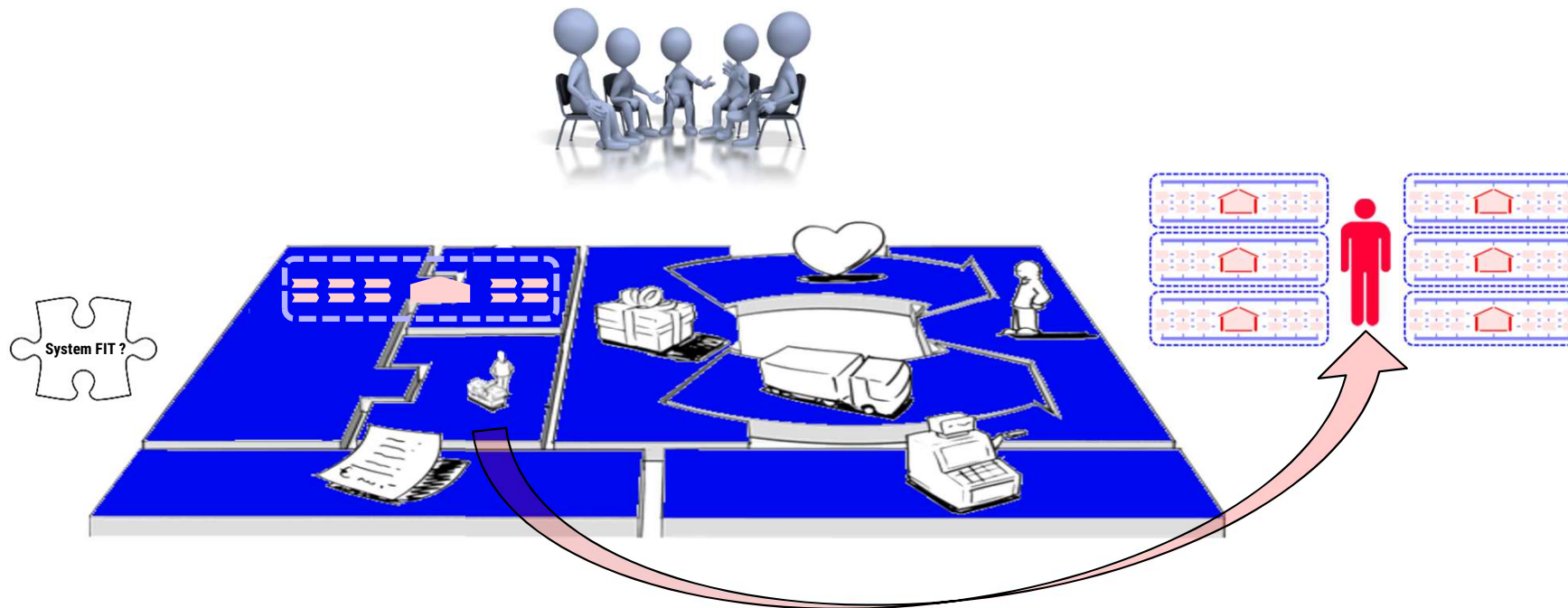
You are never alone !

There is a very high probability that the potential customer is already been addressed by completely different Digital Eco-Systems.

Are there possibilities to use existing relationships / data ?

Would that mean to join (in part ?) one (or more) existing Digital Eco-System(s) ?

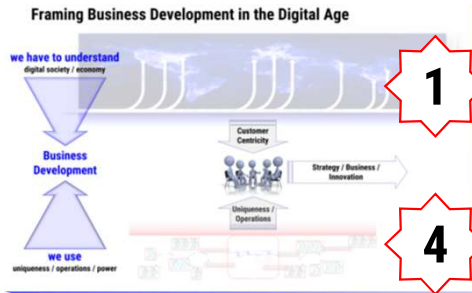
The more a Digital Eco-System deviates from the addressed context, the easier can it be to implement an innovation and the greater the surprise effect for competitors.



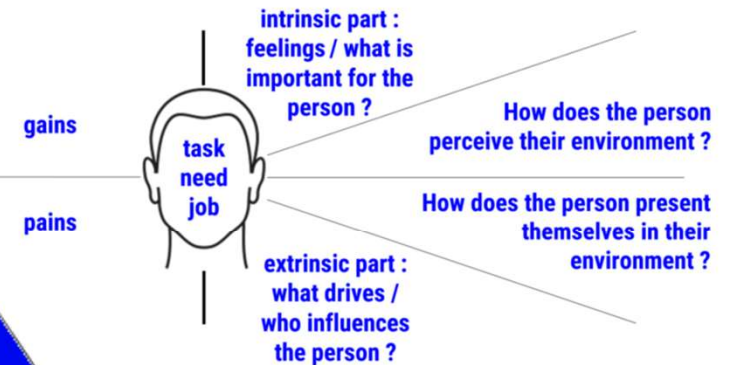
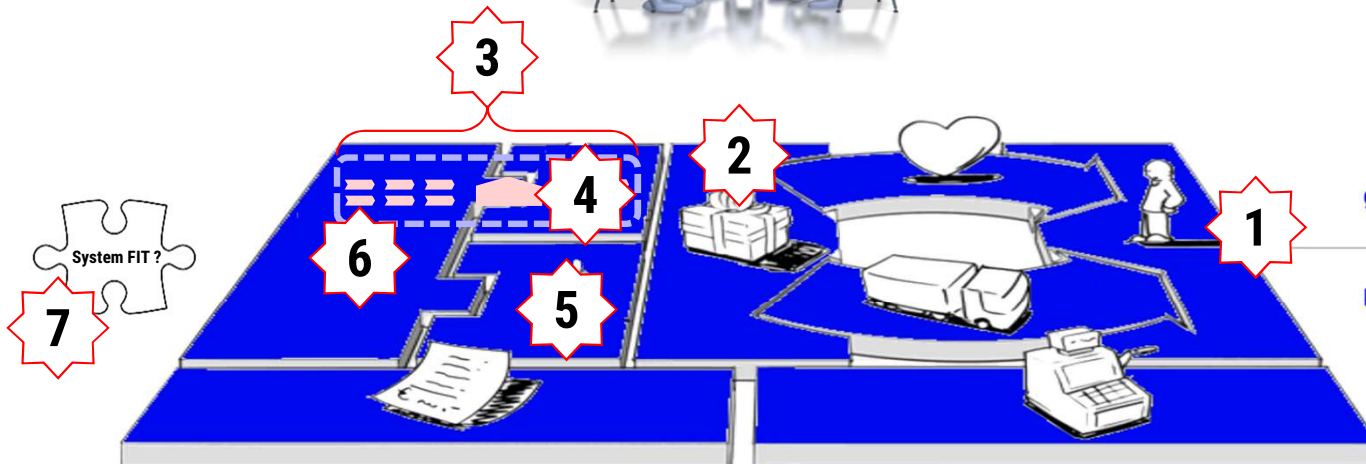


Application of the Business Model Canvas in the Digital Age

summarizing in the context

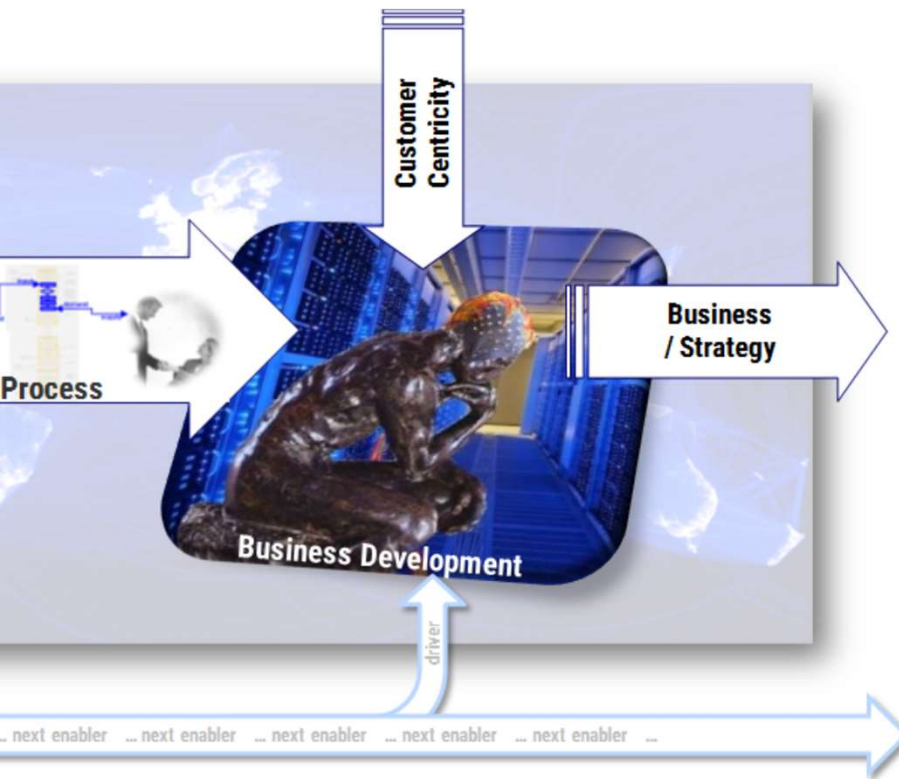
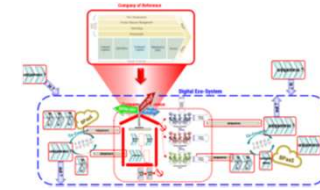


1. We understand environment and customer expectation.
2. We can promise the customer something.
3. We orchestrate a value creation accordingly.
4. We can embed on an own uniqueness.
5. We can protect our contribution.
6. We find partners for the rest.
7. We assess the partners (including their management autonomy).



Application of the Business Model Canvas in the Digital Age

we use the business model canvas in design thinking sessions



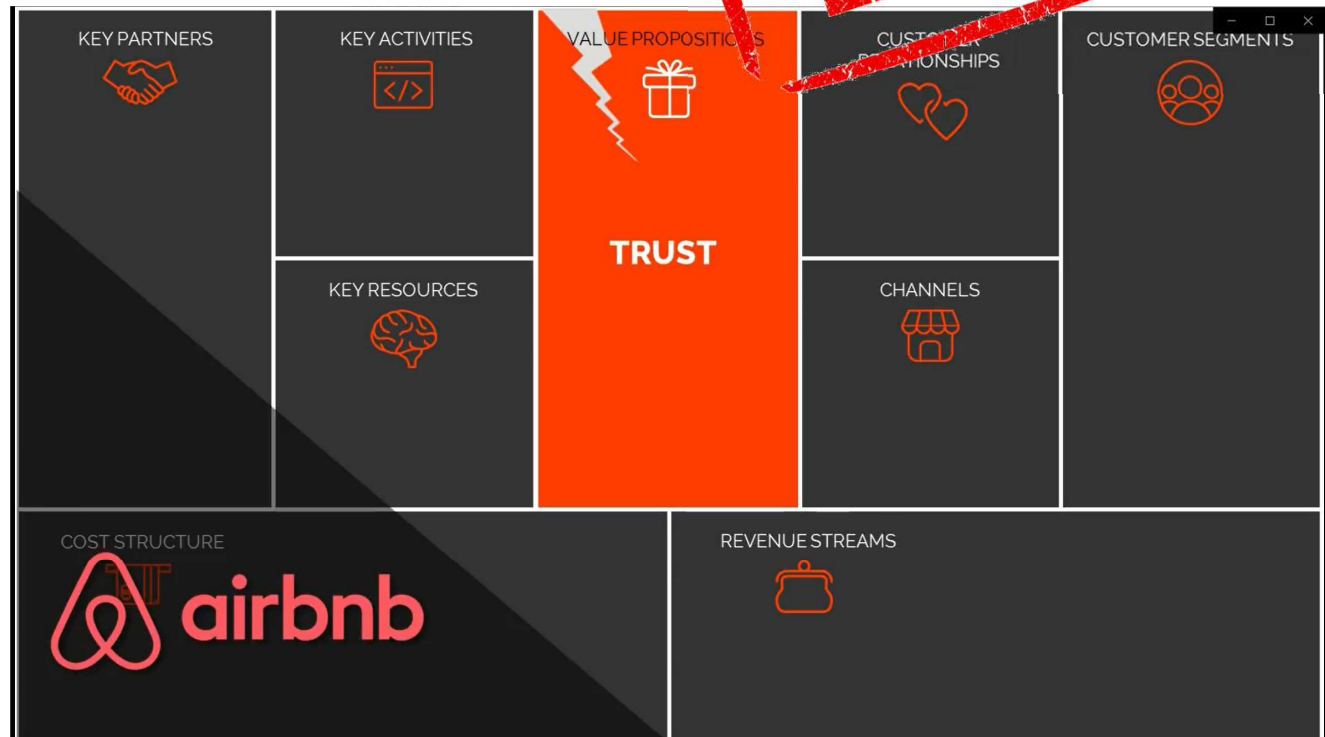
<p>Key Partners</p> <p>Who are our partners? What value do we expect to receive from our partners? Which key resources do we acquire from our partners? Which key activities do our partners perform?</p> <p>KEY PARTNER TYPES Suppliers Distribution Channels Complementors Other</p>	<p>Key Activities</p> <p>What key activities do we perform to make our business model work? Our business model depends on: Customer Relationships Channels Key Resources Key Partners</p> <p>KEY ACTIVITIES Production Distribution Logistics Procurement Other</p>	<p>Value Propositions</p> <p>What value do we deliver to the customer? What are our customer's problems we solve? What are our customer's needs we address? What are our customer's jobs we help them do? What are our customer's pains we alleviate? What are our customer's gains we provide?</p> <p>VALUE PROPOSITIONS Performance Reliability Customization Convenience Other</p>	<p>Customer Relationships</p> <p>What type of relationship does each of our Customer Segments expect us to establish and maintain with them? Which ones have we established? How are they integrated with the rest of our business model? How clearly are they?</p> <p>CUSTOMER RELATIONSHIPS Personal Assistant Self-Service Co-creation Communities Other</p>	<p>Customer Segments</p> <p>Who are our target customers? Who are our most important customers?</p> <p>CUSTOMER SEGMENTS Mass Niche Segments of Mass Other</p>
<p>Key Resources</p> <p>What key resources do we need to make our business model work? (i.e. What do we have that our competitors don't have?) Intellectual Property</p> <p>KEY RESOURCES Human Financial Technological Physical Other</p>		<p>Channels</p> <p>Through which channels do our Customer Segments want to be reached? How are we reaching our target? How are our channels integrated? Which channels are best? Which channels are most cost efficient? How are we protecting ourselves from our competitors?</p> <p>CHANNELS Direct Indirect Partners Other</p>		
<p>Cost Structure</p> <p>What are the most important costs we incur in our business model? How do our fixed and variable costs change? Which key resources are most expensive? Which key activities are most expensive?</p> <p>COST STRUCTURE Fixed Variable Other</p>		<p>Revenue Streams</p> <p>For what value are our customers really willing to pay? How do we capture value? How are they going to pay? How much does our Revenue Stream contribute to overall profit?</p> <p>REVENUE STREAMS Transactional Subscription Other</p>		



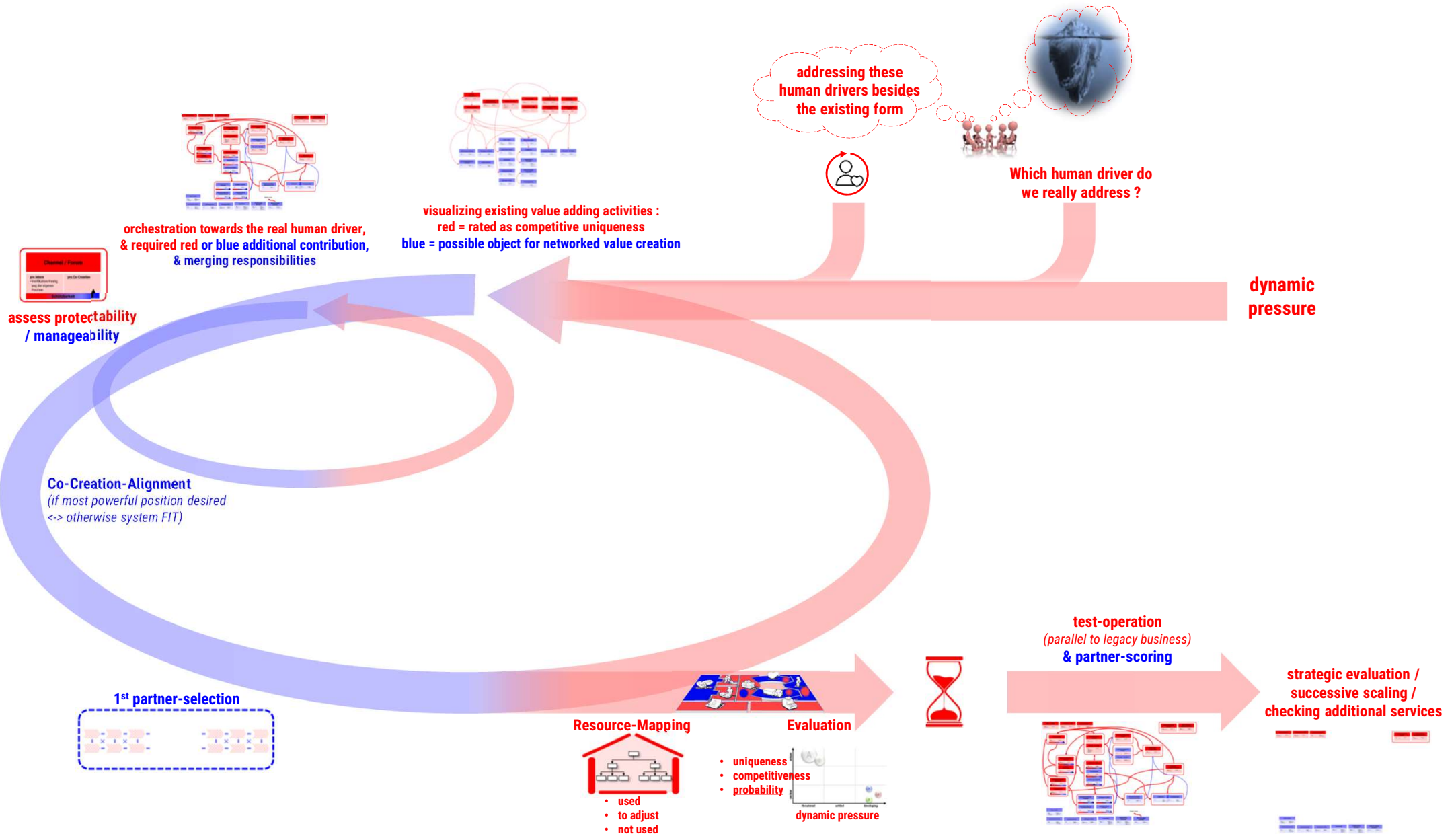
Example of an Application of the Business Model Canvas

Let's have a look on the example of Airbnb.

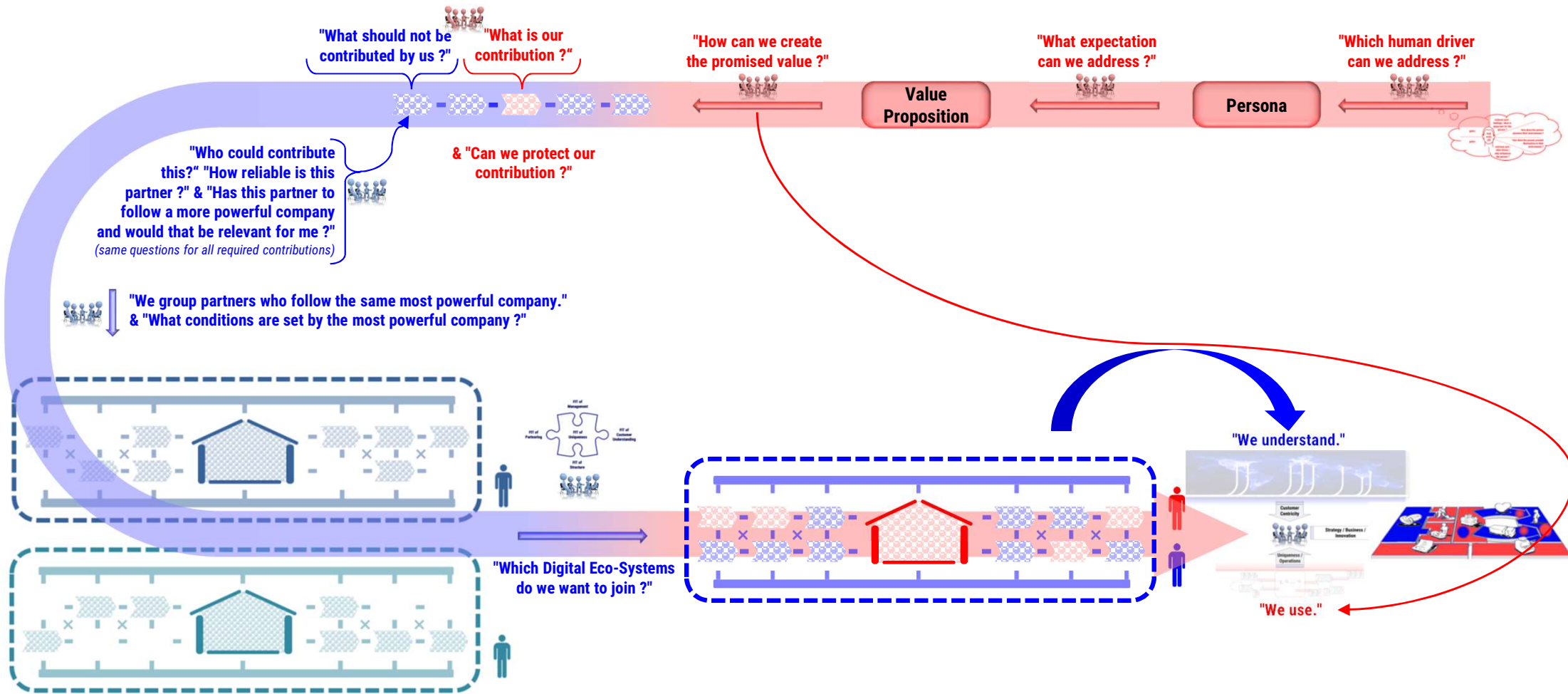
In addition, this video shows also an example, how to place an additional business model in an given Digital Eco-System, building on the uniqueness / dependency of a powerful company in this Eco-System.



Digital Business Development with Legacy Business



Digital Business Development without Legacy Business



PH 14'
Joining a Digital Eco-System

Not all the companies will have the possibility (or don't want) to create a Digital Eco-System and to establish a strong position inside. There will also be companies or start-ups that are exposed to the question to select / join one (or more) Eco-System to create their own uniqueness / innovation to an over-all value creation.

PH 14'
System FIT Model Helps to Select Digital Eco-Systems to Join

PH 14'
System FIT Model Helps to Select Digital Eco-Systems to Join

FIT of the Management

- Will the selected digital eco-system company accept / implement our business?
- Can we / should we interact / meet (power) company?
- How can we benefit from the ecosystem?
- What can we learn for alignment?
- What can we learn for alignment?

FIT of the Partnering

- Can the integration in our business?
- Do we have the resources and skills that are needed?
- Do we have the capabilities?
- Do we have the capabilities?
- Can we have a competitive advantage?
- Can we have a competitive advantage?
- Can we have a competitive advantage?

FIT of the Uniqueness

- How is the uniqueness of the ecosystem?
- How is the uniqueness of the ecosystem?
- How is the uniqueness of the ecosystem?

FIT of the Customer Understanding

- Do we know the customer requirements?
- Do we know the customer requirements?
- Do we know the customer requirements?

FIT of the Structure

- Can we work with the selected structure?
- Can we work with the selected structure?
- Can we work with the selected structure?

PH 14'
System FIT Model Helps to Orchestrate the Value Creation

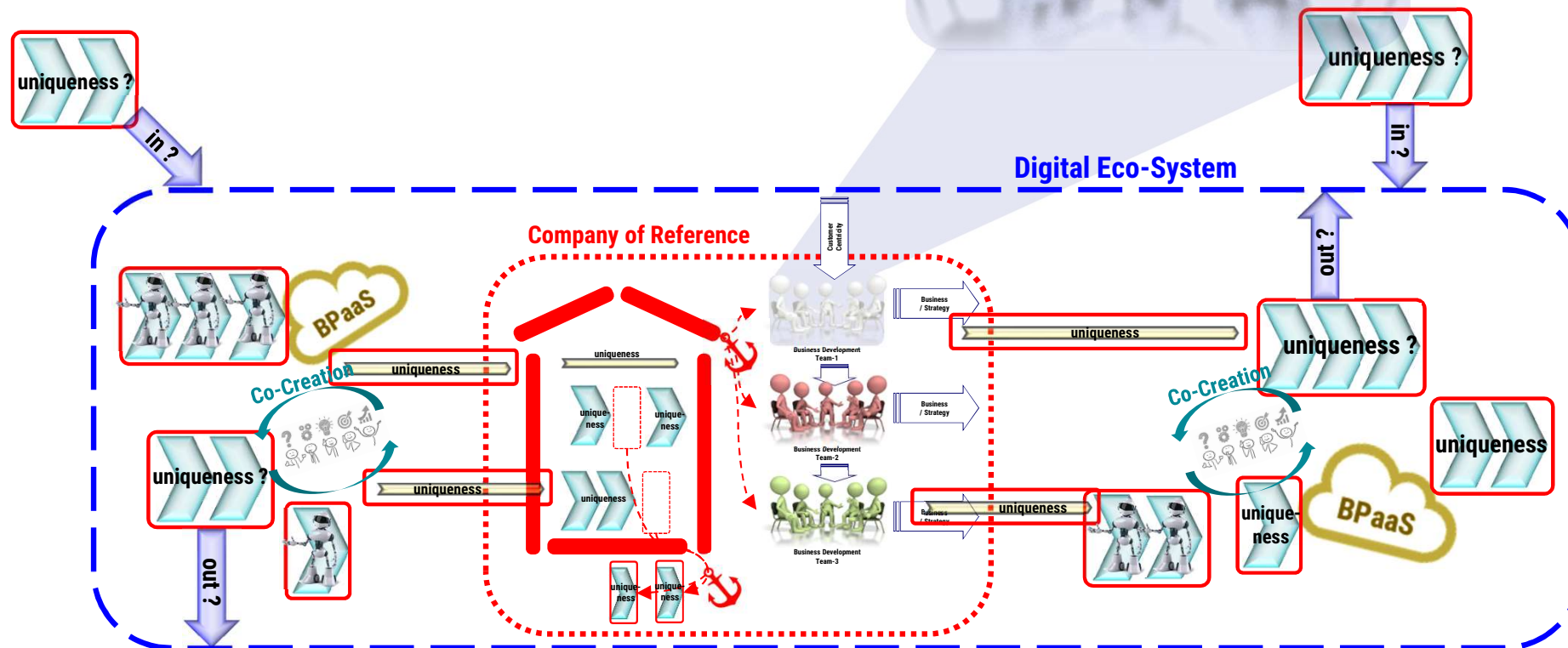
The System-FIT Model provides 5 analysis areas that help to select / join one (or more) Digital Eco-Systems.

Joining a Digital Eco-System

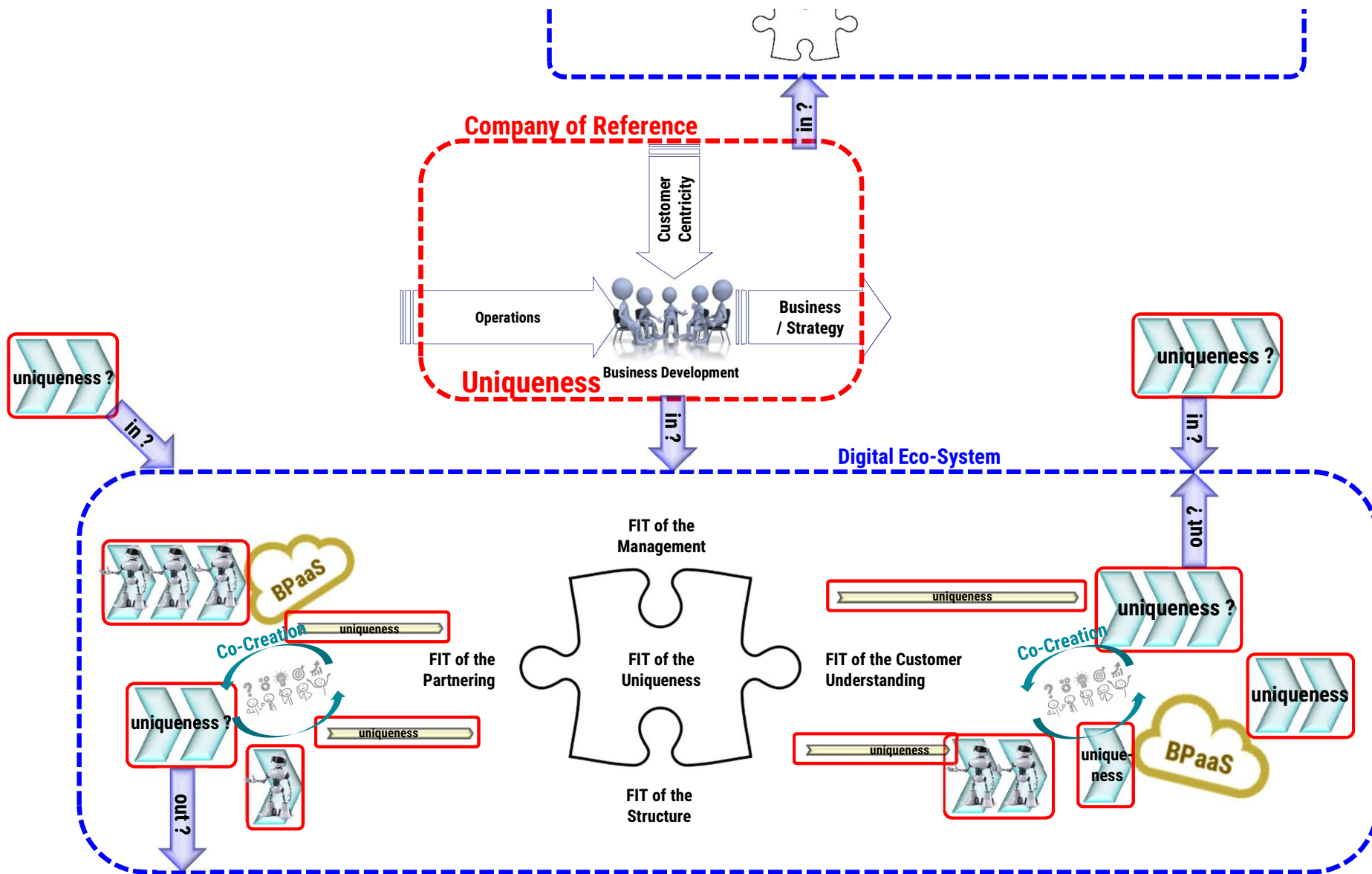
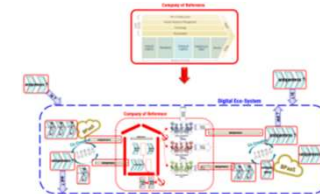


Not all the companies will have the possibility (or don't want) to create a Digital Eco-System and to establish a strong position inside.

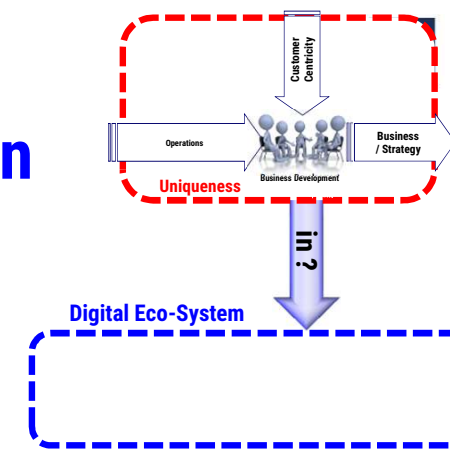
There will also be companies or start-ups that are exposed to the question to select / join one (or more) Eco-System to contribute the own uniqueness / innovation to an over-all value creation.



System FIT Model Helps to Select Digital Eco-Systems to Join



System FIT Model Helps to Select Digital Eco-Systems to Join

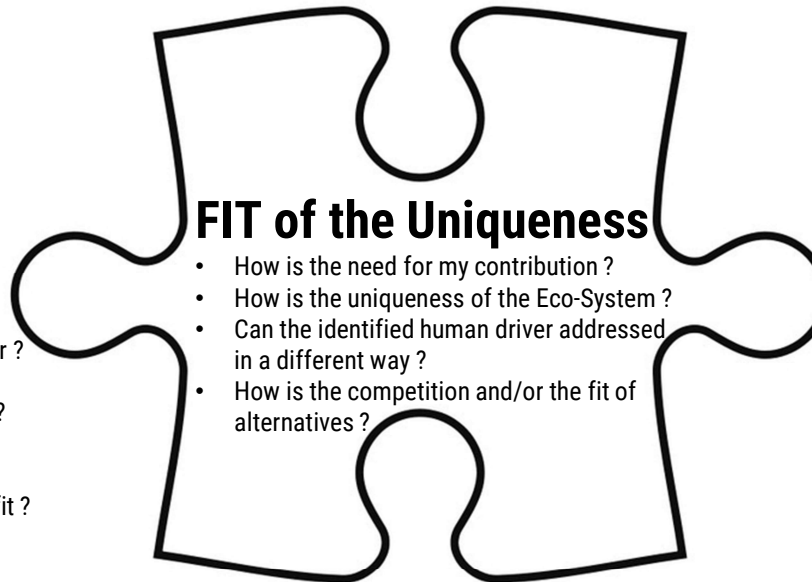


FIT of the Management

- Will the relevant / most powerful company accept / appreciate my contribution ?
- Can/will I accept the relevant / most powerful company ?
- How is the performance of market development ?
- Can we see strategic objectives of the most powerful company ?
- How are the economy-like conditions ?
- How are the trust / scoring / quality conditions ?
- What are rules for alignment ?
- What are rules for orchestration ?

FIT of the Partnering

- Can I be integrated in Co-Creation ?
- Do I share the value and ethic that that prevail in this network ?
- Do we have compatible expectations about performance ?
- Can there arise a competition for power ? Could I win this ?
- Can I achieve a situation of symbiosis ?
- Do the partners have a choice ?
- Can anyone steal my innovation ?
- Who takes the largest share of the profit ?
- Do I have to compete with peers ?
- Span of Choice (substitutability of partners of a required contribution / scalability)



FIT of the Uniqueness

- How is the need for my contribution ?
- How is the uniqueness of the Eco-System ?
- Can the identified human driver addressed in a different way ?
- How is the competition and/or the fit of alternatives ?

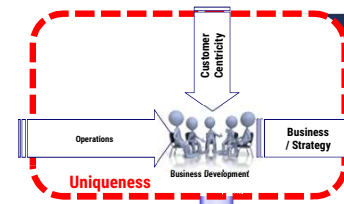
FIT of the Structure

- Is a platform in use ?
- Can I work with the technical structure ?
- Can I interface with the IT ?
- Can I handle customization ?

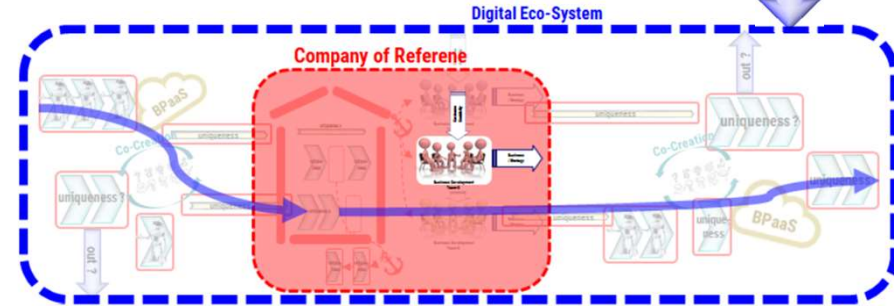
FIT of the Customer Understanding

- Do I know and share to customer expectation of the most powerful company ?
- Do I know and share the value and ethic that stands behind this customer expectation ?
- Do I meet the expectations of the customer and the most powerful company in terms of quality and branding ?

System FIT Model Helps to Orchestrate the Value Creation



in ?



FIT of Management

FIT of Partnering

FIT of Uniqueness

FIT of Customer Understanding

FIT of Structure

