

Business Model Innovation

1. What is a Business Model?

- 1. A description of how a business generates a profit
- 2. Every business consists of a set of inputs, throughput activities and outputs which result in a particular profit equation

2. Value Propositions

Involve key decisions regarding the:

- 1. Strategy
 - Differentiation
 - Low costs
 - Game changing
- 2. Target customer
- 3. Offering attributes
- 4. Price

3. Value Architecture

Involves key decisions regarding:

- 1. Strategy
 - Differentiation
 - Low costs
 - Game changing
- 2. Activity system
 - The value adding activities of the business that are undertaken to create and deliver the product offering
 - The value chain including the:
 - Primary activities
 - Supporting activities
 - Extended value chain
- 3. Resource base
 - The tangible and intangible resources and competencies that are the inputs to the value adding activity

3. Profit Algorithm

- The resulting profit equation that comes from the choices made in relation to the:
- Is best measured by the return on capital employed

- 1. Specifics of the product offering (attributes, target customer and price)
- 2. The chosen value architecture (the activities, resources and value chain)

4. What is Business Model Innovation?

- 1. Establishing entirely new business models
- 2. Re-inventing your value proposition and value architecture to create an improved profit algorithm

5. How to Engage in Business Model Innovation

- 1. Choose an industry
- 2. Review existing business models
 - 1. Prepare value curves for a range of offers including:
 - The reference offer
 - Competitors' offers
 - Do-it-yourself offers
- 3. Design a new value curve and value architecture by exploring what value attributes you can:
 - 1. Raise
 - 2. Eliminate
 - 3. Create
 - 4. Reduce

10. The Barriers to Business Model Innovation

- Too much focus on exploiting the current business model at the expense of exploring for new business models
- Overcoming entrenched mental models and biases
- Inadequate probing, experimentation, etc. to learn about the future
- Inappropriate management of risk and failure

9. Trends in Business Model Innovation

- Increasing use of double and multi sided value propositions
- Rise of Big Data
- Ownership being replaced by paying for usage
- Increasing sharing and collaboration
- Greater focus on the circular economy
- Frugal innovation
- Increasing use of freemium business models
- Increasing use of the 'crowd'

8. Business Model Innovation Procedures

- Building customer insights
- Anticipating trends
- Breaking industry beliefs

7. How to Find Ideas for a New Business Model

- Value proposition reinvention pathways
 - 1. Reduce your customer's overall costs
 - 2. Reduce customer hassle
 - 3. Find non-clients
 - 4. More function or motion
 - 5. Search for other segments or industries
 - 6. Introduce a third party
 - 7. Modify the revenue stream
- Value architecture reinvention pathways
 - 8. Introduce technology
 - 9. Modify one or more steps in the value chain
 - 10. Remove or add steps in the value chain
 - 11. Leverage your strategic resources or competencies
 - 12. Associate with competitors or partners
 - 13. Find complementors
 - 14. Find new resources

6. Value and Value Curves

- Value
 - The sum of the net benefits less the sum of the net sacrifices
 - Based entirely on the customer's perception
 - Owner and leaders often have a false perception of the value they provide
 - Should not be confused with price
 - Price is the amount paid to obtain access to the value, not the net benefits gained from its use
 - Different customers have different views of what constitutes good value
 - It's critical to obtain accurate customer insights into their view of what constitutes value
- Value attributes
 - Basic
 - Discriminating
 - Exciting
- Value curves
 - Identify the key value attributes
 - Rate each attribute
 - Compare various offers with one another to:
 - Identify the key points of parity
 - Identify key points of difference
 - Develop an opportunity for innovation
- Designing new value curves
 - Which factors should be raised well above the industry's standard?
 - Which factors that the industry has long competed on should be eliminated?
 - Which factors should be created that the industry has never offered?
 - Which factors should be reduced well below the industry standard?