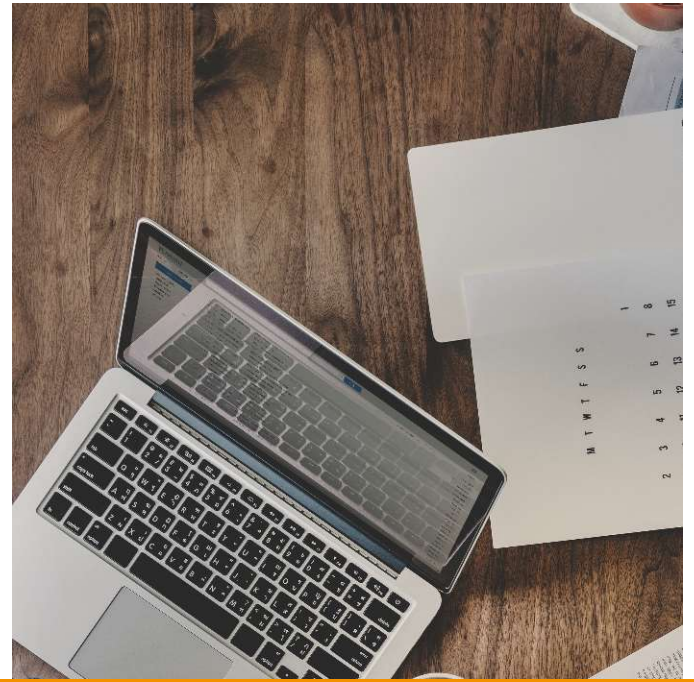
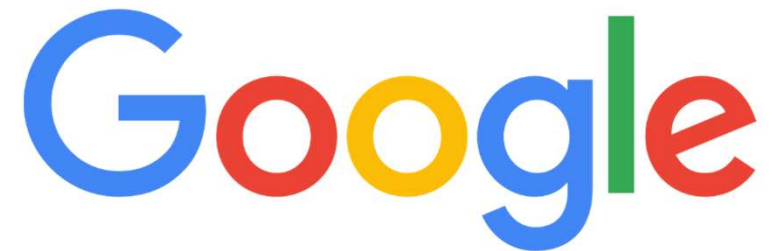


Digitization of existing business models





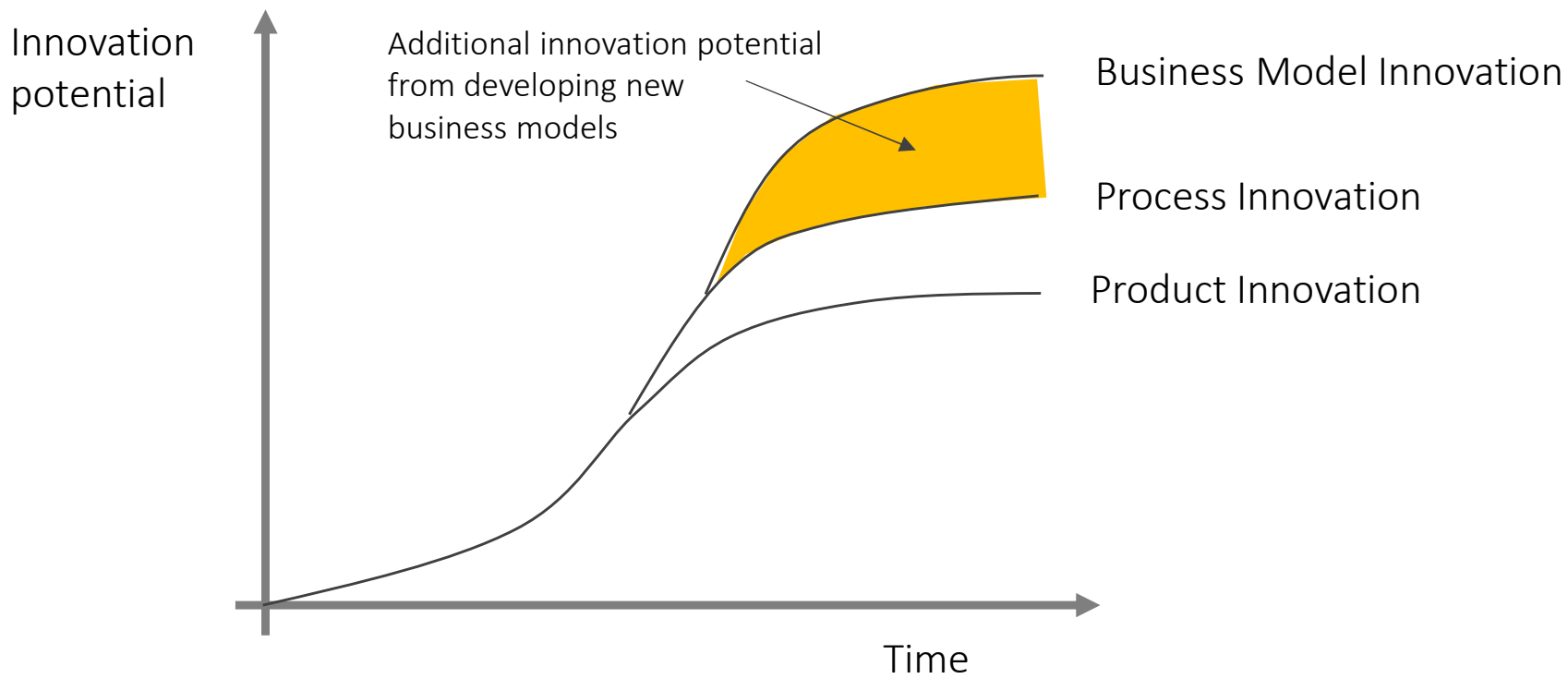
Outperformer (= companies performing better than industry average) rethink their business model twice as often as underperformers (= performing below average). They engage into business model innovation on a regular basis.

Source: IBM

Companies that manage to innovate their business models showed a 6% higher average profitability over a five-year-horizon compared to companies in the same industry that only rework their products and processes.

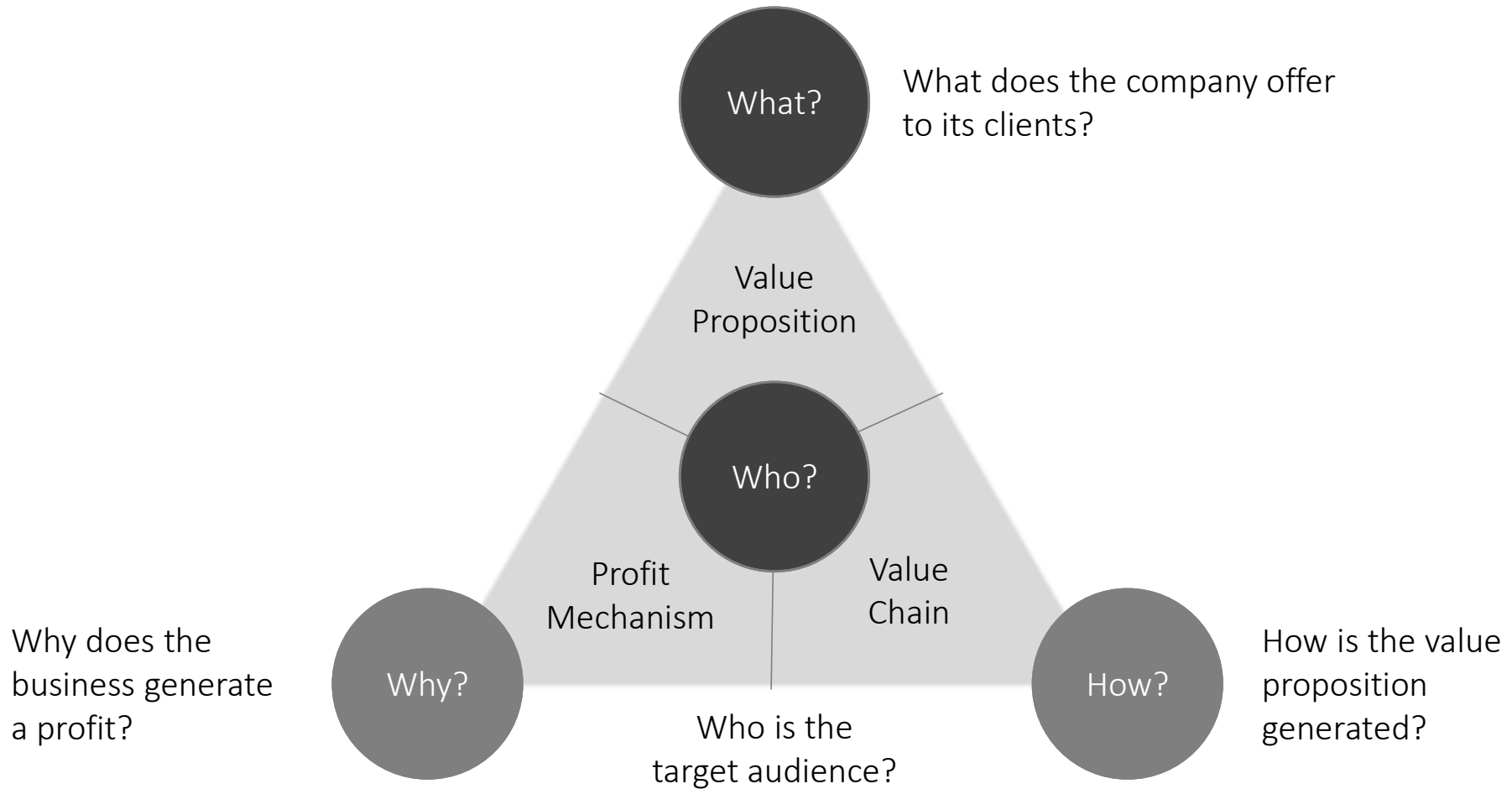
Source: BCG

In a growing number of industries competitors introduce innovative business models, frequently enabled by new digital technologies. This builds up pressure for existing competitor to also rethink their own business models.

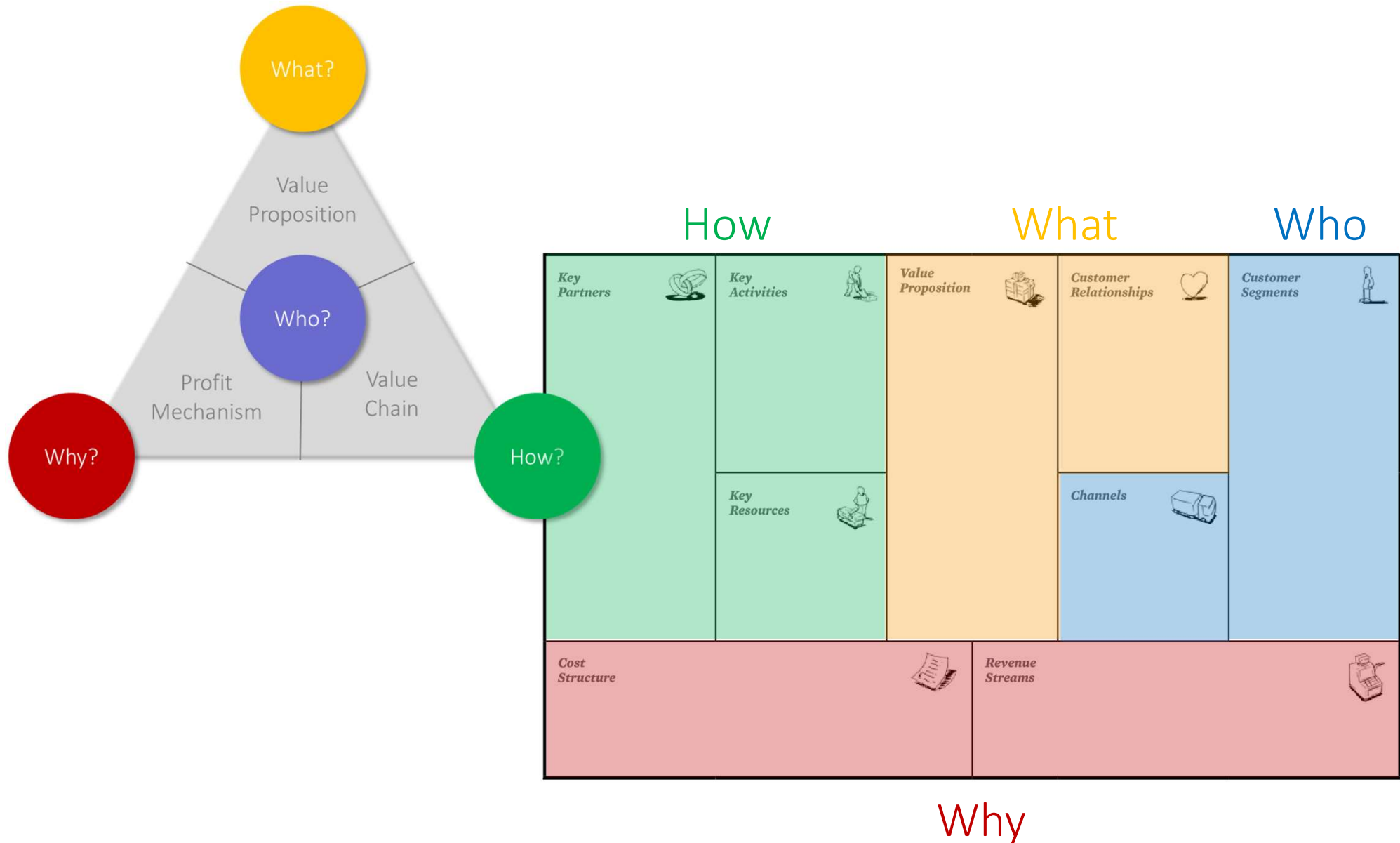


Who – What – How – Why

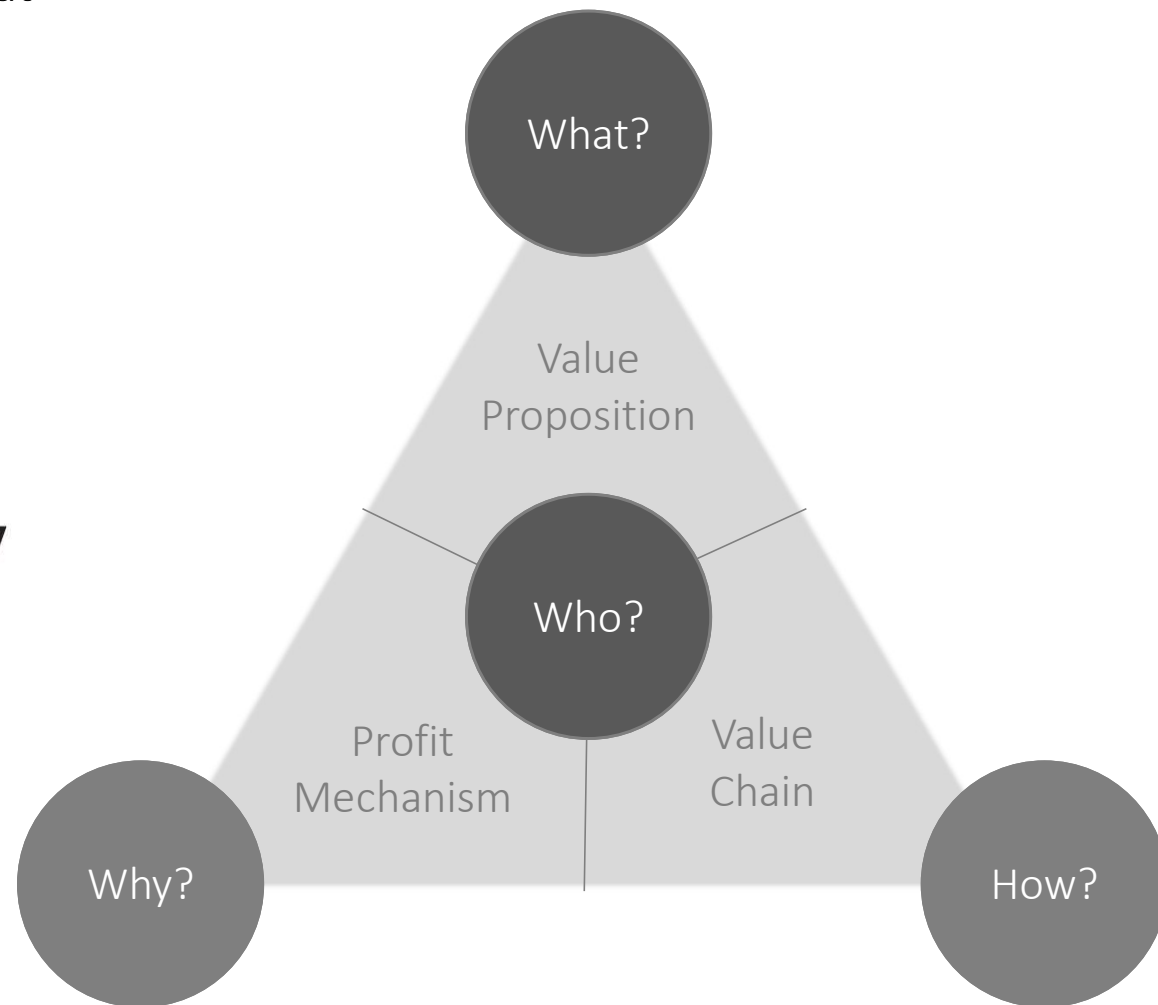
A business model describes who our customers are, what we sell to them, how we produce the things we sell, and why we earn money when doing that.



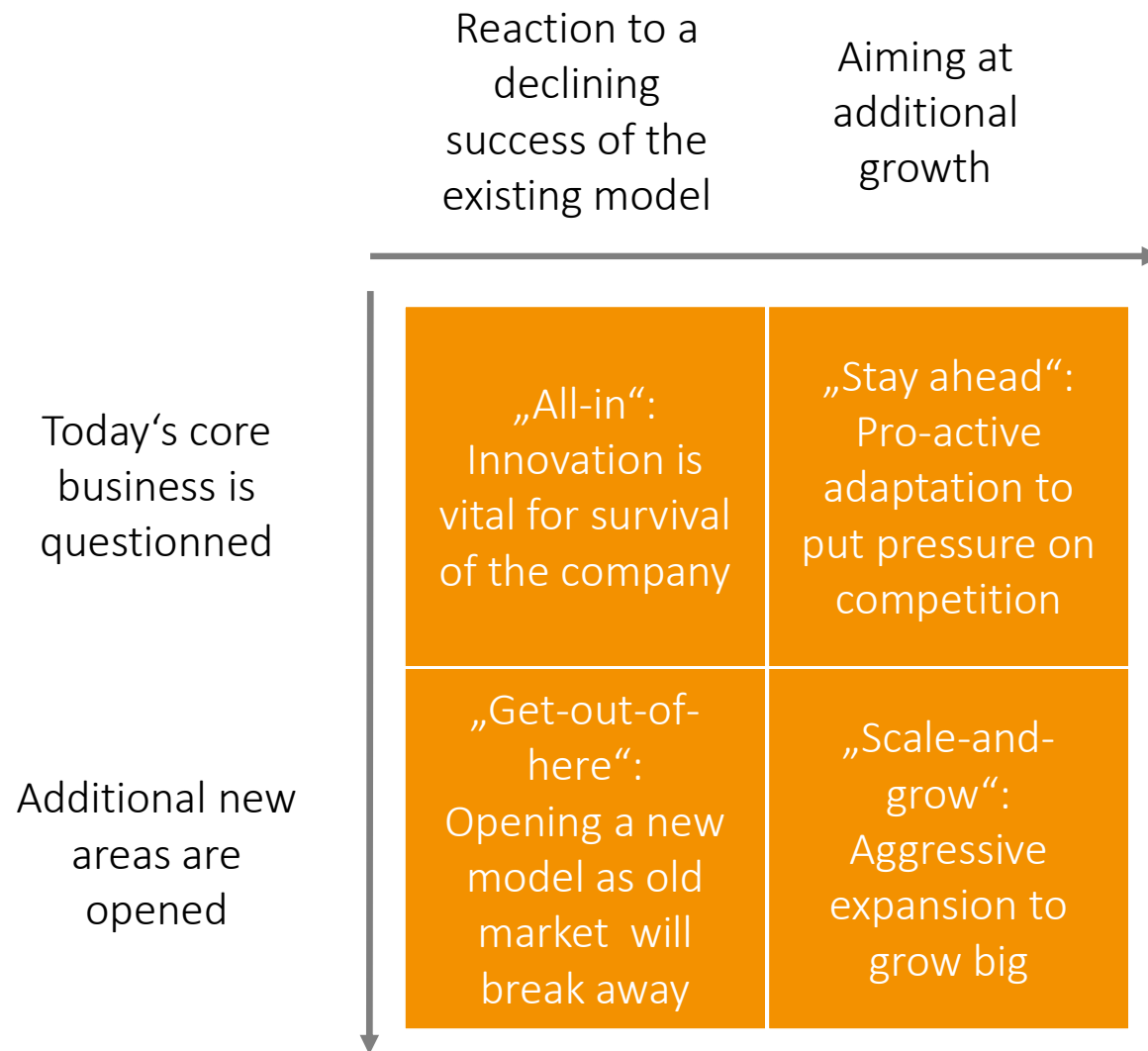
How BMC and the key assumptions relate



Contrary to product or process innovations a business model innovation changes **at least two dimensions** of the business model fundamentally.



Why does a company innovate its business model?



Approach 1: Ask your customers

Valid and important approach. But be careful:

„If I had asked people what they wanted, they would have said faster horses.“
(Henry Ford)

Approach 2: Ask Consultants

Plausible and potentially good approach. But often the „not-invented-here-syndrome“ blocks its success:

„But we always did it like that“

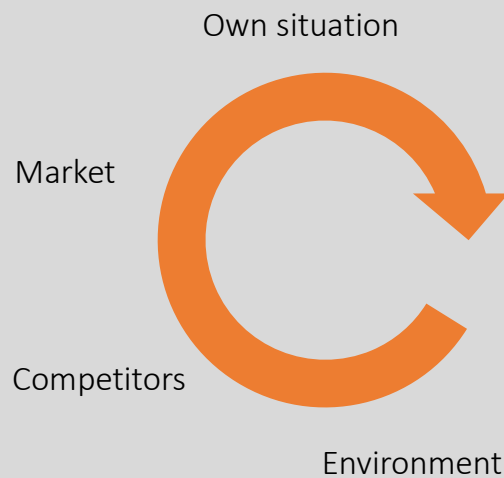
„But our customers will not want that“

„Our industry is different“

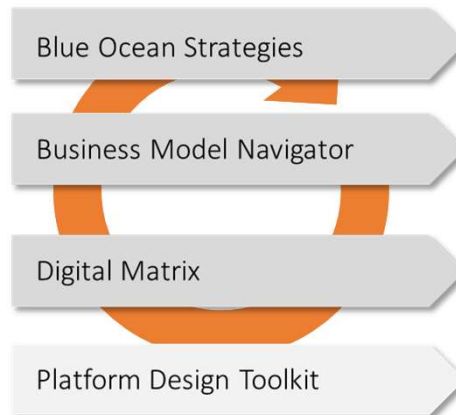
„They don't understand our business“

If an existing company aims at innovating a business model, this will have potential side effects to other segments of the company. Therefore, the innovation process is typically based on a prior analysis:

1. Strategic Analysis



2. Creative Innovation



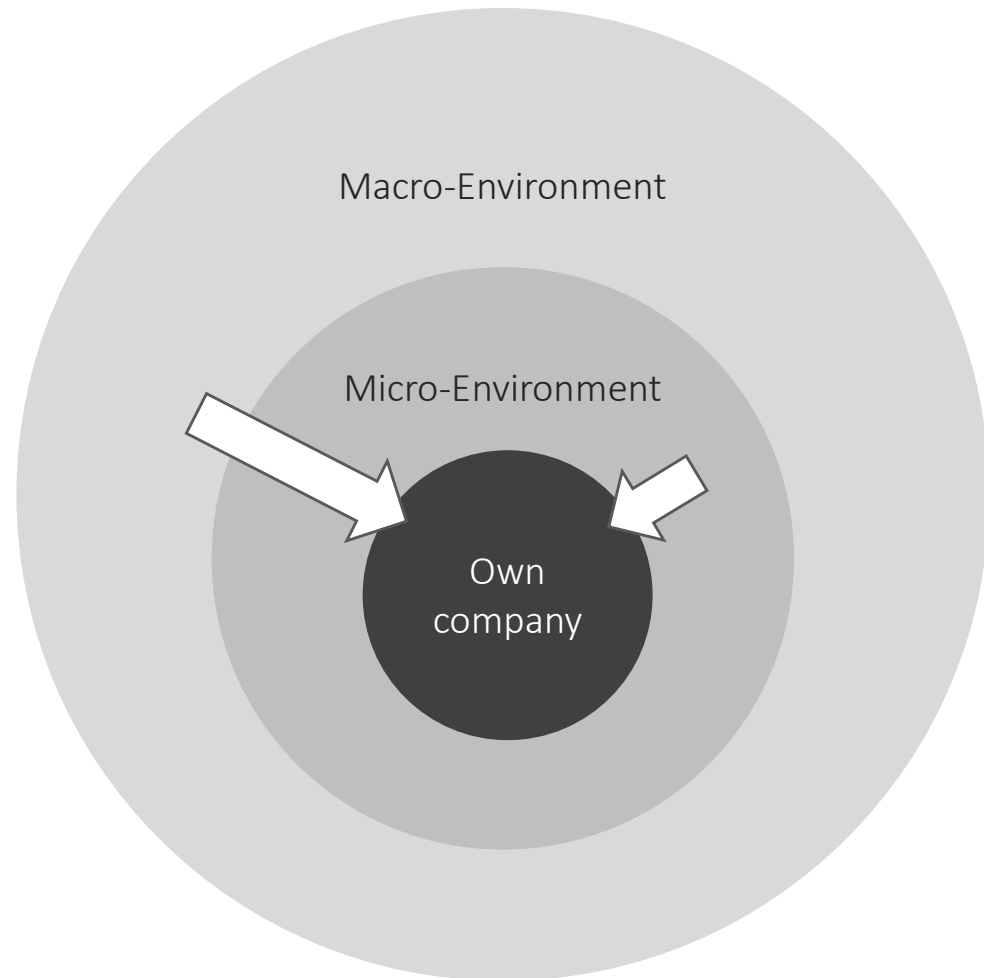
3. Implementation



1. Strategic Analysis

A strategic analysis of the external environment of a company needs to take both the immediate industry as well as more abstract, macro-economic parameters into account.

It aims at understanding any foreseeable developments that are beyond the influence of the company but will affect the success of a digitization strategy.

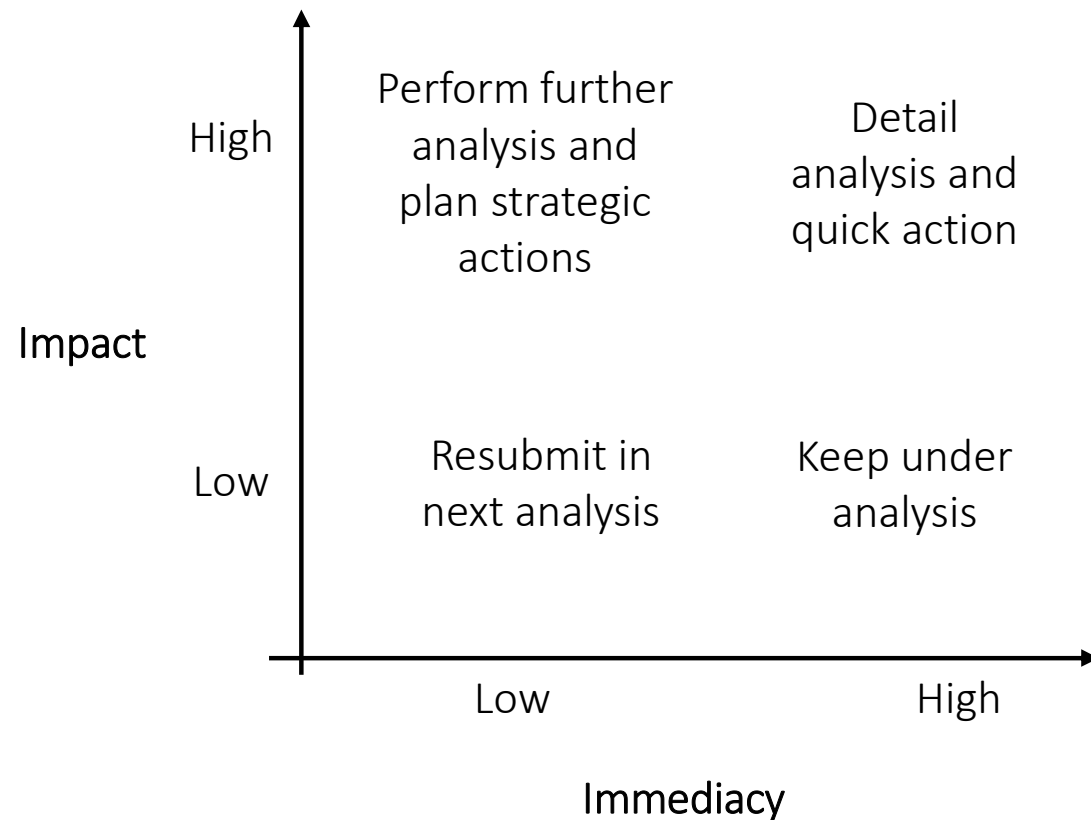




1. Strategic Analysis

At first the **macro-economic environment** is analysed with a PESTEL-analysis. Parameters along the following dimensions are checked:

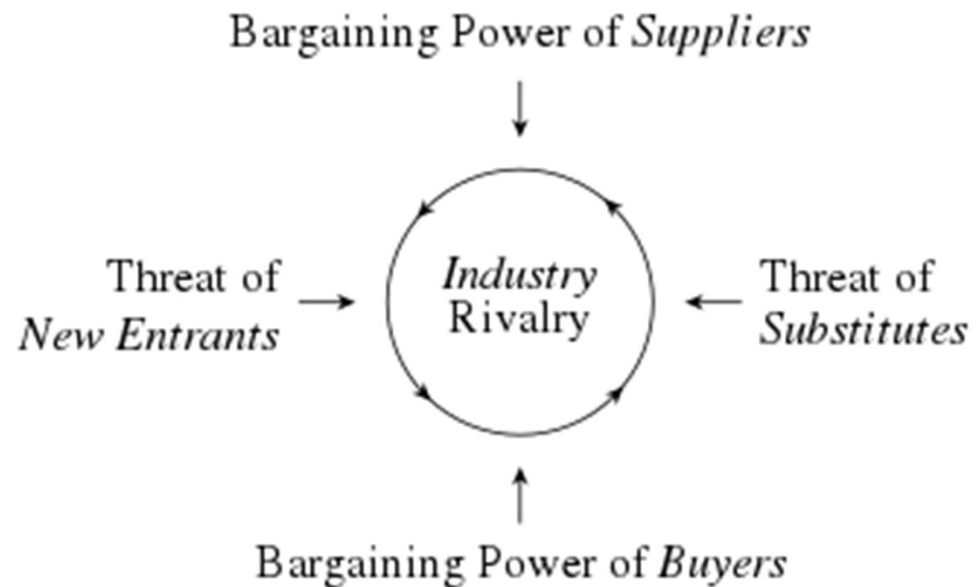
- Political
- Economical
- Social
- Technological
- Environmental
- Legal



1. Strategic Analysis

Afterwards the **micro-environment** is analysed. One well-know methodology to understand the mechanics of an industry are **Porter's Five Forces**.

According to Porter, the attractiveness of a market is determined by the balance of the following five market-forces:

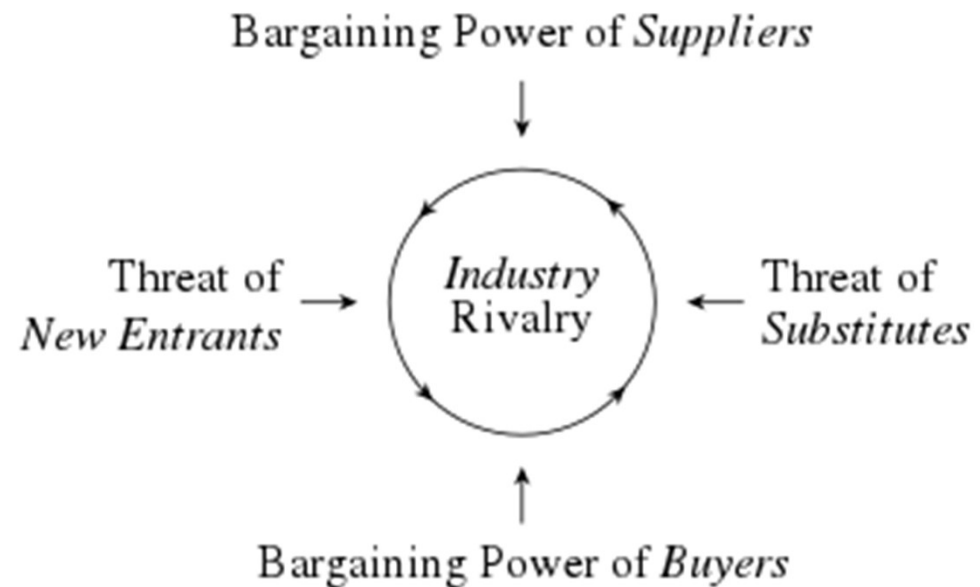




Exercise:

Assume you want to start a new business in Munich and Rosenheim. You are thinking about opening a model similar to Uber Eats: Food delivery drivers can sign up and take over food deliveries that are ordered on the platform by users.

Characterize the five forces of this market.





1. Strategic Analysis

In order to plan the most suitable strategy for a digitization, it is helpful to analyse the own strengths. The highest probability for success are strategies that utilize a company's **core competence** and transfers it to another business model.

Special competence / skills / strengths / abilities of the company or its staff ...

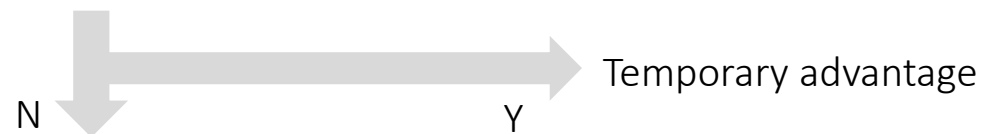
1. Does it provide a value for the target segments?



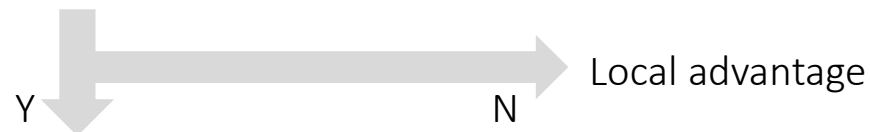
2. Is it rare?



3. Can it easily be copied by competitors?



4. Can it be transferred to other business areas?



*=> A core competence exists
and should be leveraged*



Exercise:

Let's try to identify a core competence of Media Saturn. Which candidates (= competences/strengths) can you think of? Check them for the attributes of a core competence.



Special competence / skills / strengths / abilities of the company or its staff ...

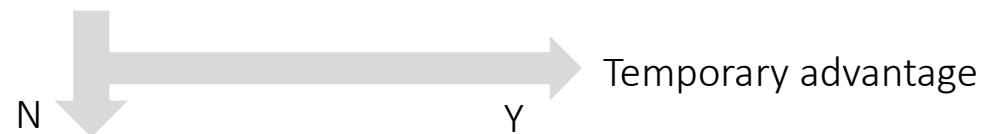
1. Does it provide a value for the target segments?



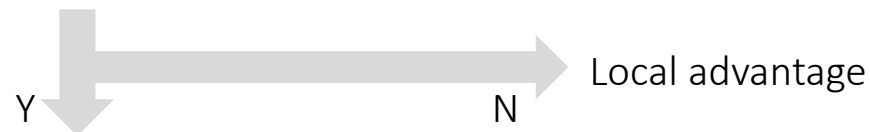
2. Is it rare?



3. Can it easily be copied by competitors?

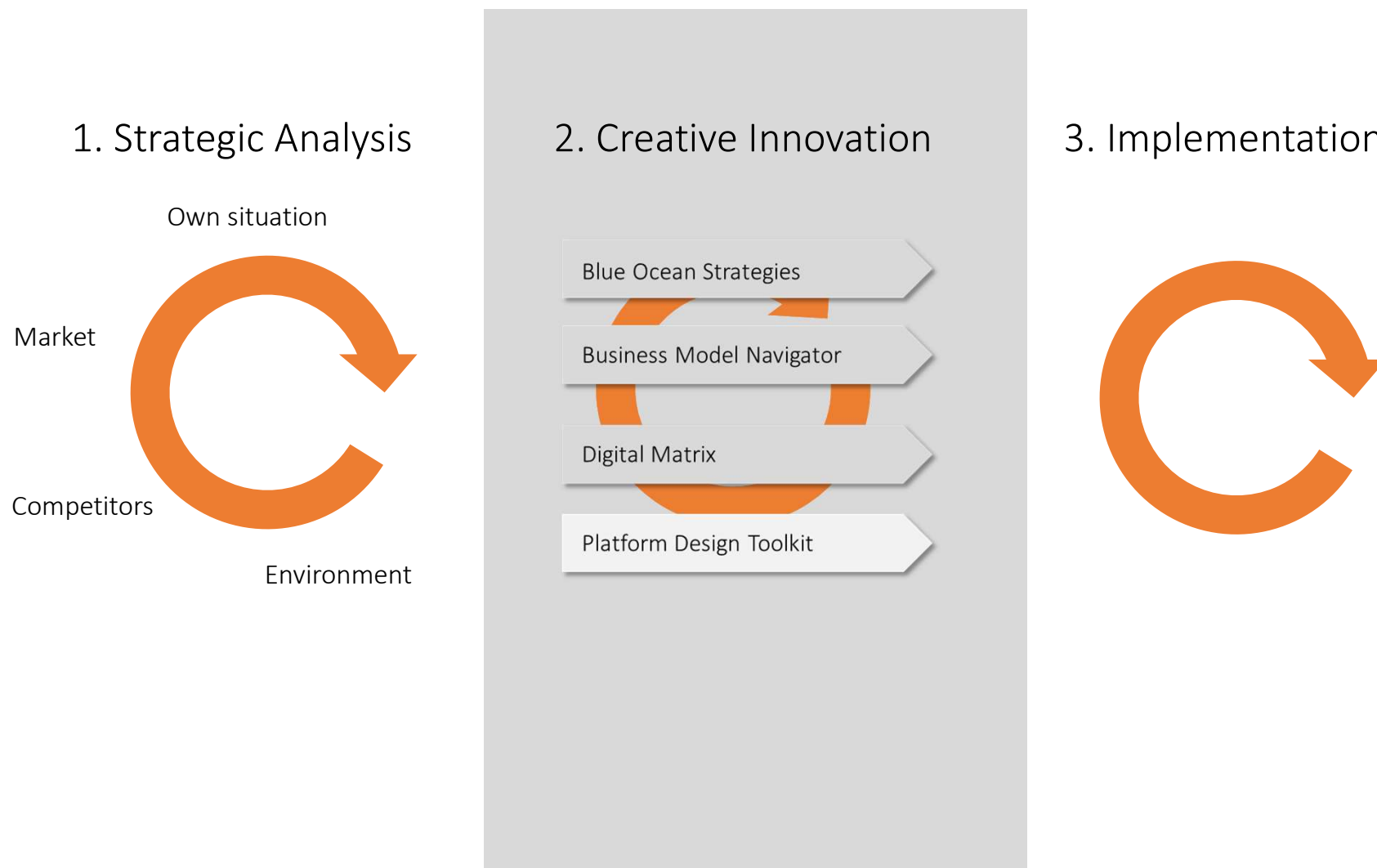


4. Can it be transferred to other business areas?



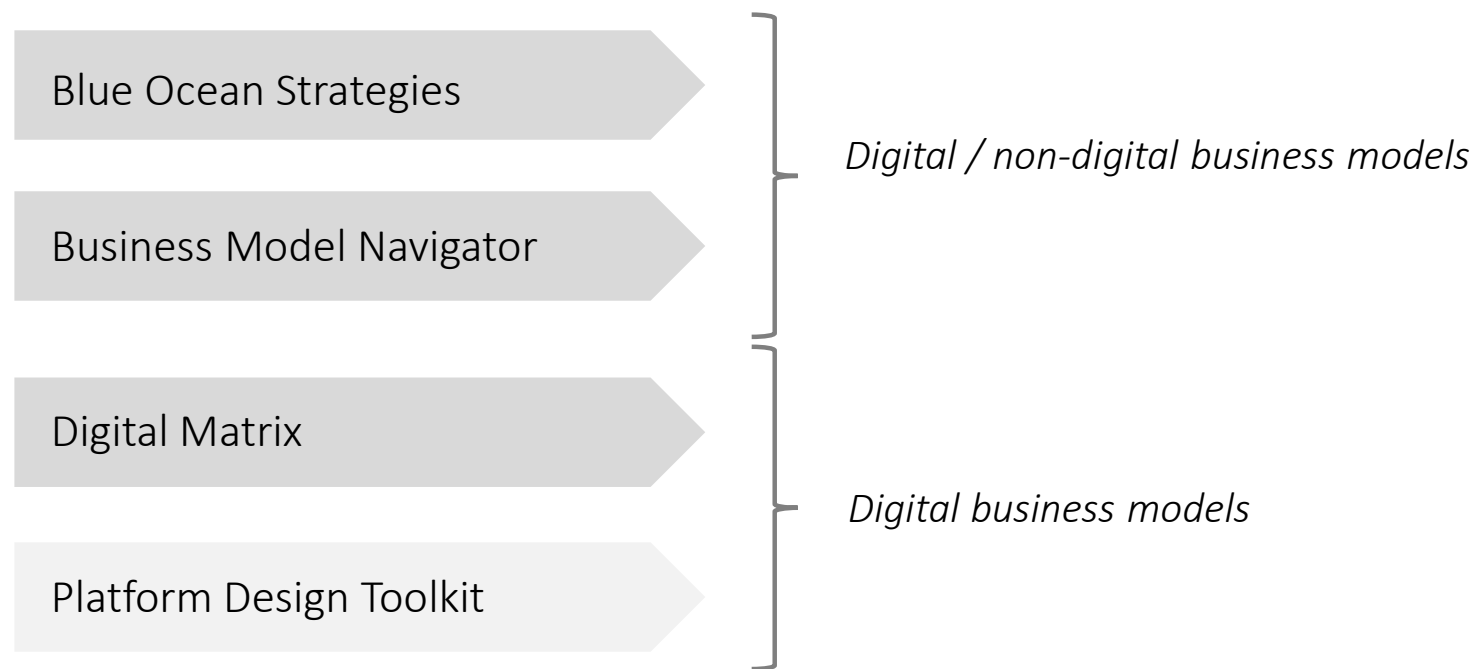
*=> A core competence exists
and should be leveraged*

If an existing company aims at innovating a business model, this will have potential side effects to other segments of the company. Therefore, the innovation process is typically based on a prior analysis:





A business model innovation means to significantly change the way a company works. At least two central dimensions of the existing model are re-engineered. Frequently this is done by entrepreneurs in an intuitive way. However, there is a number of structured methods that support the innovation of business models. For example:



These methods usually focus on how to creatively identify new ideas for future business.



Most textbooks that were written about strategic management before digital technologies became dominant assumed that a market is always a competitive market and one needs to find strategies on how to act against competition (**Red Ocean**).

New technologies (but not only these) allow the creation of business models that open totally new markets, without an already active competition (**Blue Ocean**).

Red Ocean Strategy

Compete in existing markets

Defeat competition

Exploit existing demand

Position yourself in the cost/value conflict

Focus all value chain activities on cost leadership or differentiation

Blue Ocean Strategy

Create new markets

Make competition meaningless

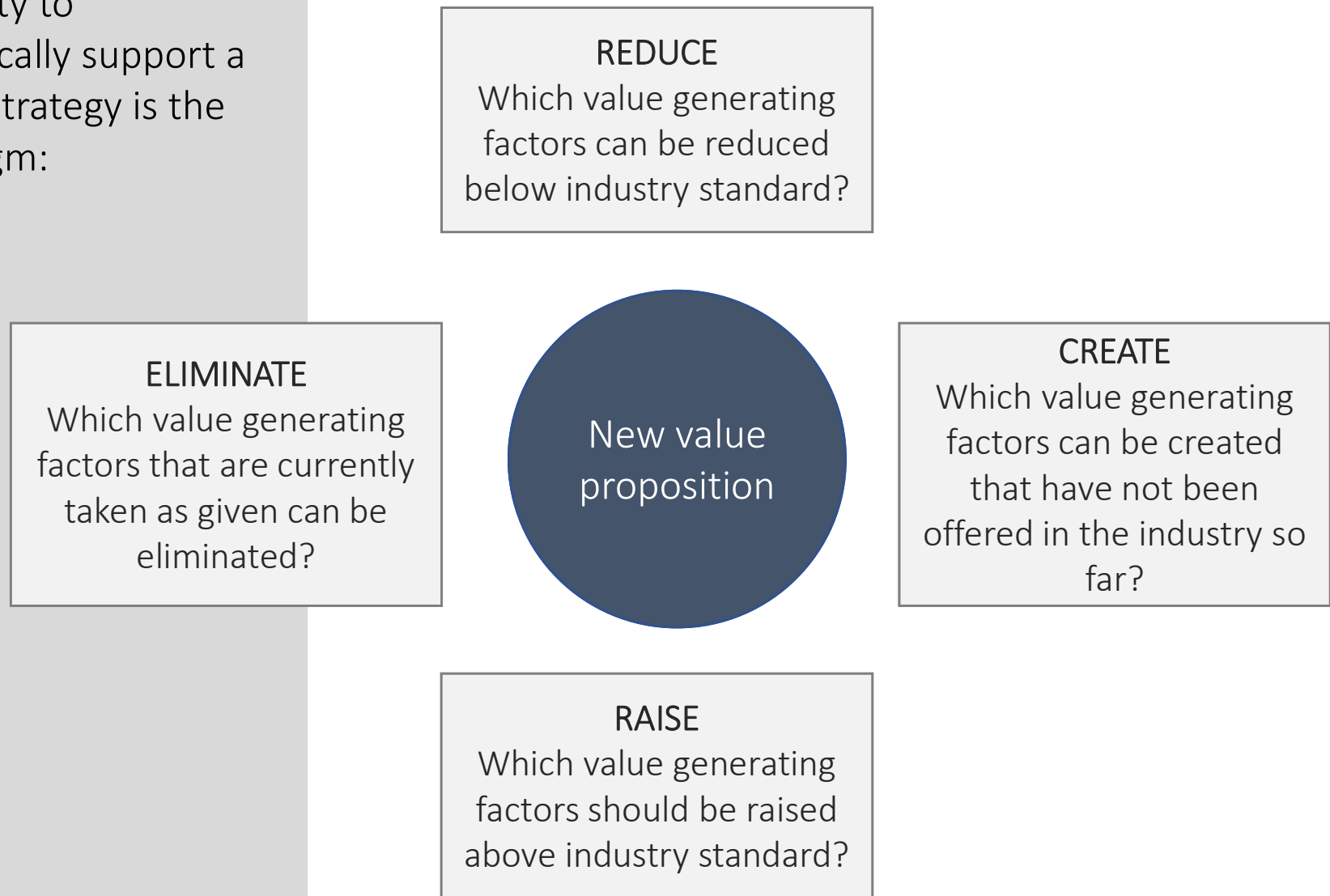
Create new demand and exploit it

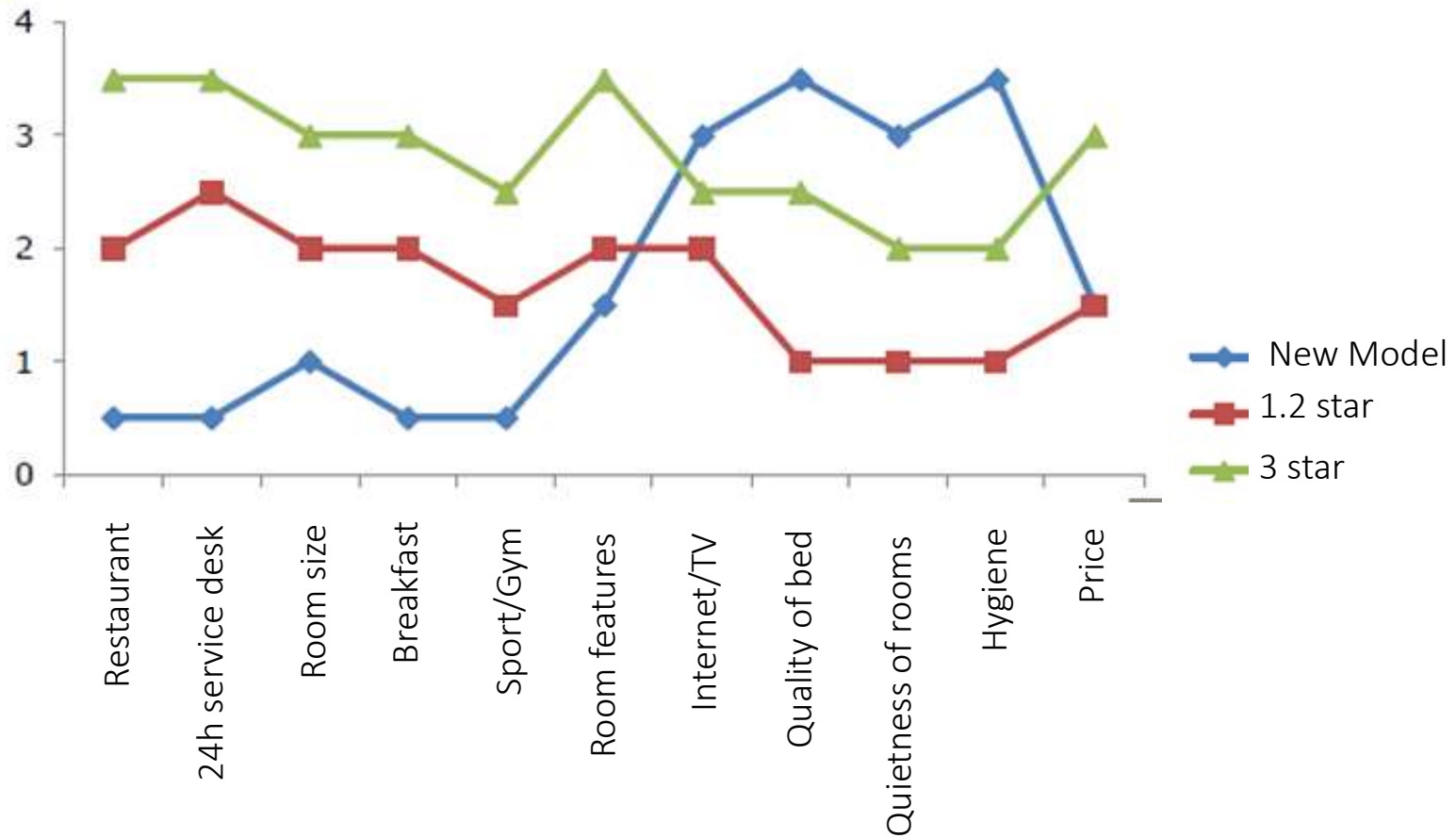
Break the cost/value conflict

Focus all value chain activities on cost leadership AND differentiation



One possibility to methodologically support a Blue Ocean Strategy is the ERRC paradigm:







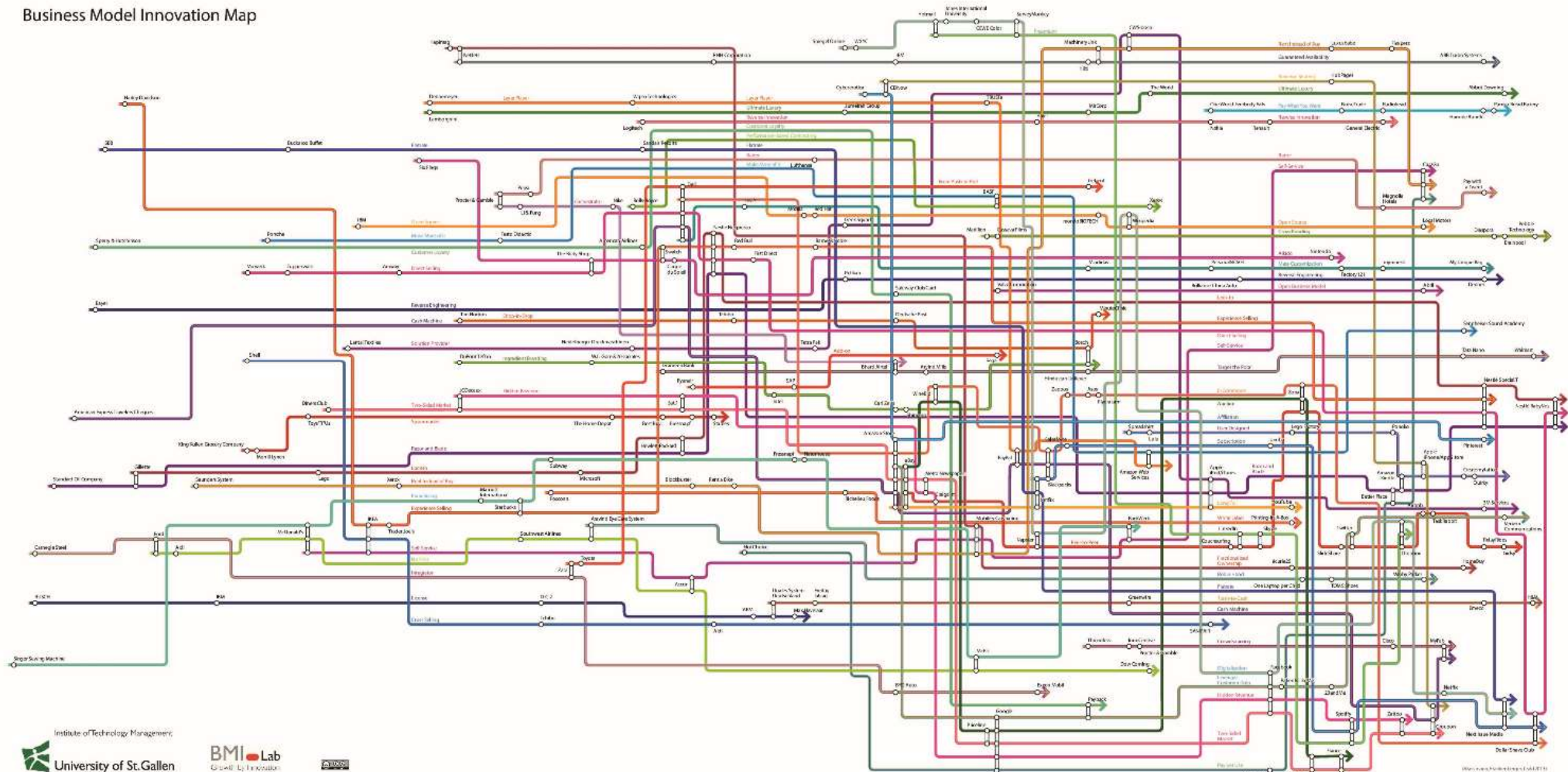
Since a couple of years cheap gyms have revolutionized the market for fitness studios.

Show how these low budget fitness studio chains have applied the ERRC-method to generate a blue ocean strategy.



cleverfit

Business Model Innovation Map



- Initiated at the University St. Gallen

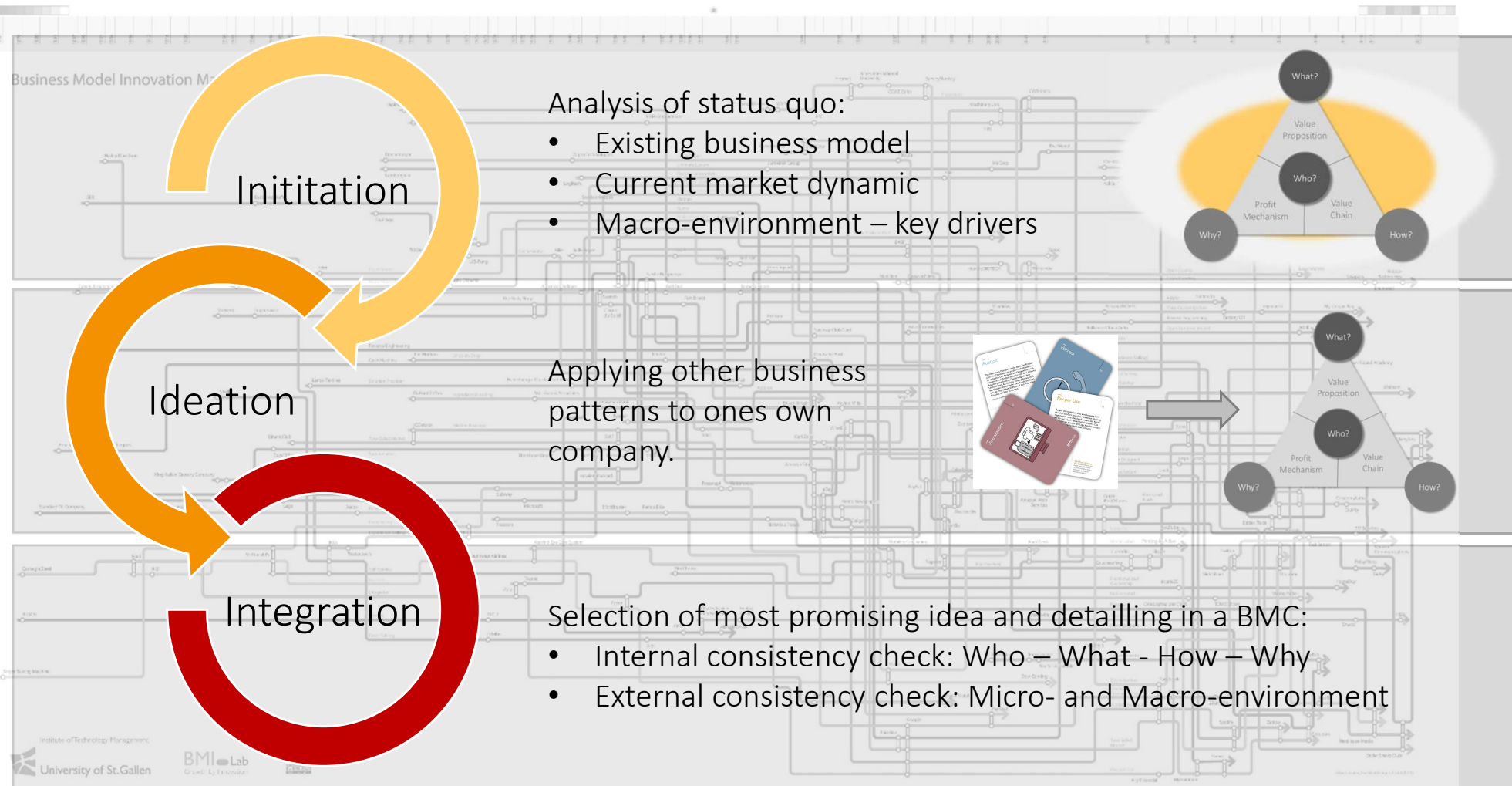
- Comprehensive analysis of the most successful business modes of the last 150 years

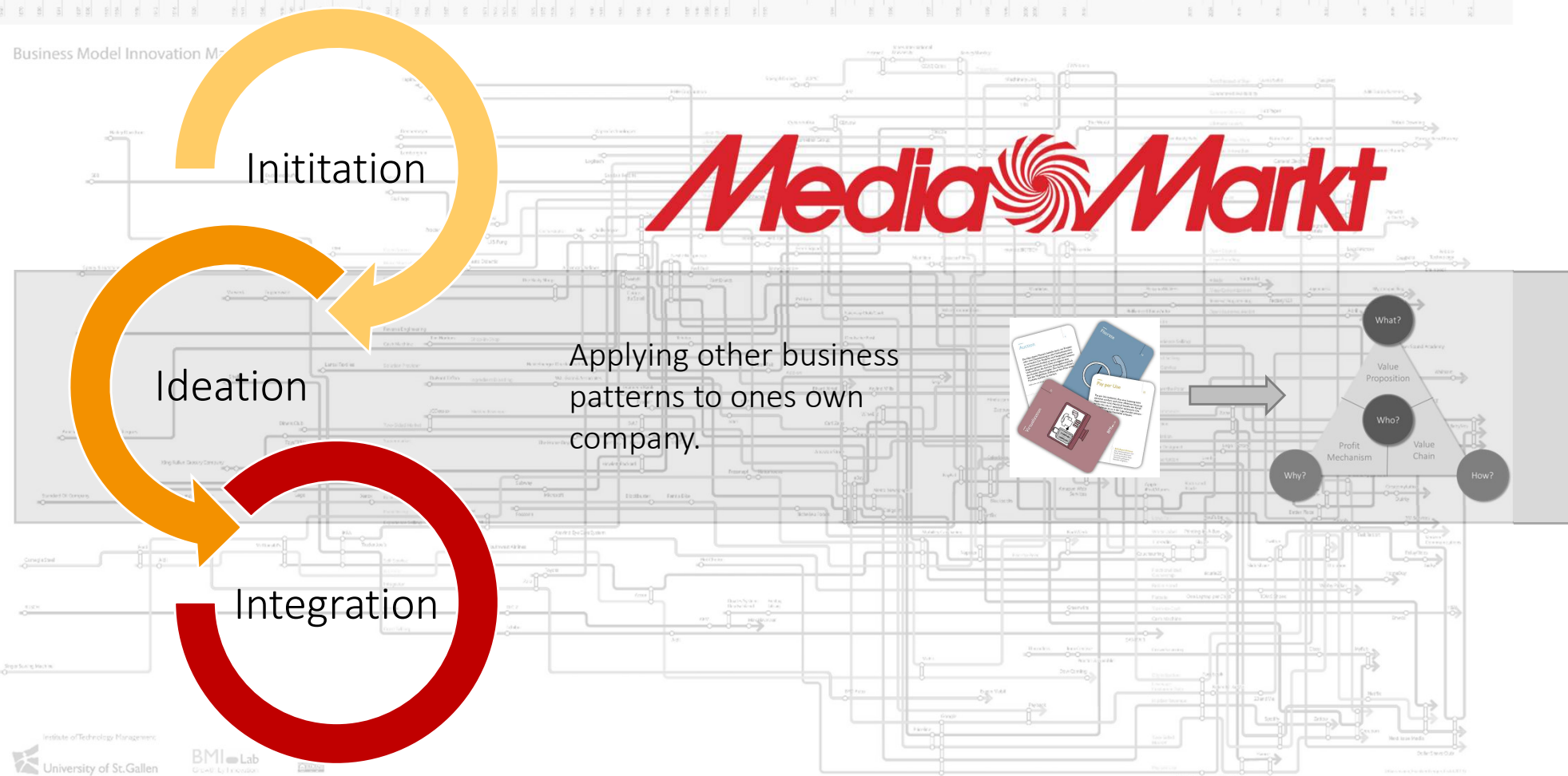
Findings:

- 90% of the analyzed business models go back to 55 different patterns.
- A successful business model innovation in most cases means that one of these 55 patterns is applied.
- This means: Corporations do not re-invent the wheel. They do not usually discover a totally new way of doing business. Instead, they creatively copy and apply business models that worked in other industries.

Become a „creative imitator“ instead of a „copy cat“:

- An existing business model is „transferred“ into a new industry
- Sometimes multiple business models are merged into a new one, e.g. „Razor and Blade“ and „Direct Selling“ were applied in the coffee business.
- One can learn from the mistakes made in other industries and at the same time become innovation lead in the own industry.
- Important: Do not copy blindly! Learn and adjust instead...







Preparation A: Discuss existing business model of Media Markt

Preparation B: Form teams of three people

Spielrunden:

1. Each team member picks out three pattern cards randomly.
2. Each team member selects one pattern card for further analysis:
Similarity approach or confrontational approach
3. Each team member now introduces the team to his/her pattern.
4. Brain-Writing:

15 Minuten

„If company X bought our company and would apply their business model here, they would ... “

Each participant
receives one pattern
card



Each participant writes ideas on how this
pattern could be applied to the example
company.

! 3 minutes
per round !

5. **Discussion in Team:** Summarizing the results and picking out one pattern that sounds most promising

15 Minuten

Per Team: Prepare a short pitch presentation

15 Minuten

- Pattern card selected?
- Which dimensions of the business model would change and how?
- Potential seen in this change

Short presentation per team (max 3 minutes)

Business Model Innovation M-

Initiation

Ideation

Integration

Selection of most promising idea and detailing in a BMC:

- Internal consistency check: Who – What - How – Why
- External consistency check: Micro- and Macro-environment