

Digital Business

Topic : Business Model Innovation

Business Model Innovation

A business model innovation is the conscious change of an existing business model

OR the creation of a new business model that better satisfies the needs of the customer than existing business models.

Transforming Business Models = Business Model Innovation

"Disruption" is the new normal

Winners



Innovation: Pioneered streaming video services

Result: \$6B revenue (2014)



U B E R

Innovation: Pioneered digital ride-sharing

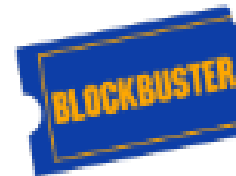
Result: \$10B revenue (2015)



Innovation: Pioneered eCommerce platforms

Result: \$89B revenue (2014)

Losers



Mistake: Didn't adapt to streaming video

Result: bankrupt (2010)



Mistake: Didn't adapt to digital photography

Result: bankrupt (2012)



Mistake: Didn't adapt to eCommerce

Result: bankrupt (2011)

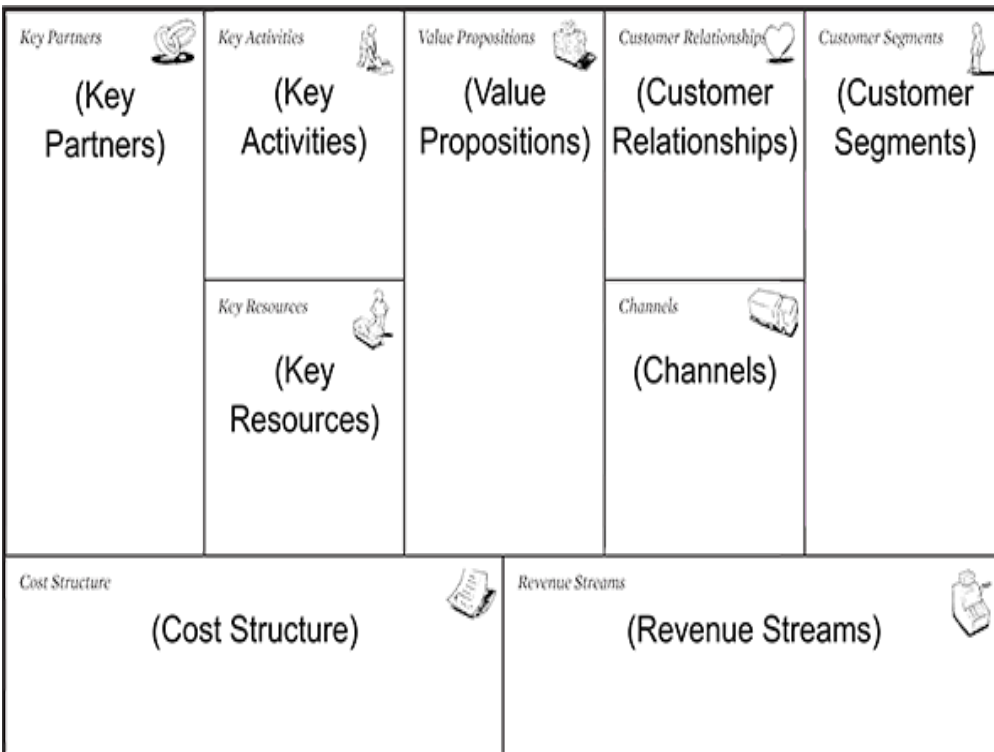
Business Model Canvas



Source: <https://youtu.be/RpFiL-ITVLw>

Business Model Canvas

The Business Model Canvas helps describe the business model of the company. The canvas concept is based on nine basic building blocks :

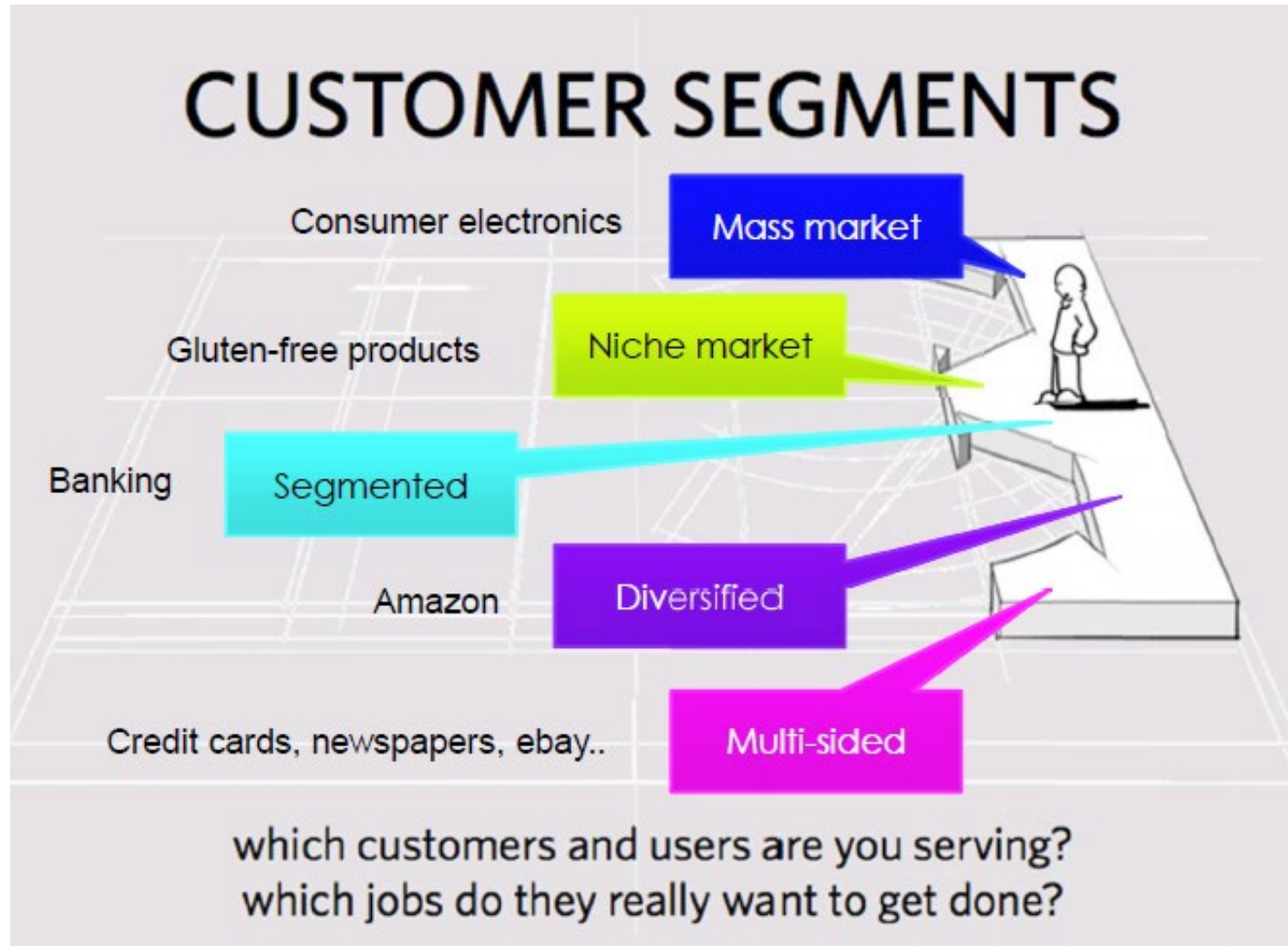


1. **Customer segments:** People or organizations to be reached.
2. **Value propositions:** products and services that solve a problem for a customer segment or meet a need and thus value.
3. **Channels:** sales channels through which the company reaches and responds to its customers to convey the values offered.
4. **Customer relations:** The company's different relationships with its customers (customer acquisition, customer care, sales promotion, personal or automated)
5. **Revenue Streams :** Income from a company from the various customer segments.
6. **Key resources:** Basic resources needed to operate the business model (physical, intellectual, human, financial).
7. **Key Activities:** The key business model processes that provide the key resources described above.
8. **Key partnerships:** The main partners of the business model (suppliers, strategic alliances and partnerships, joint ventures)
9. **Cost structure:** The most important of the costs incurred in the business model.

Alexander Osterwalder and Yves Pigneur

Business Model Canvas

– Customer Segments

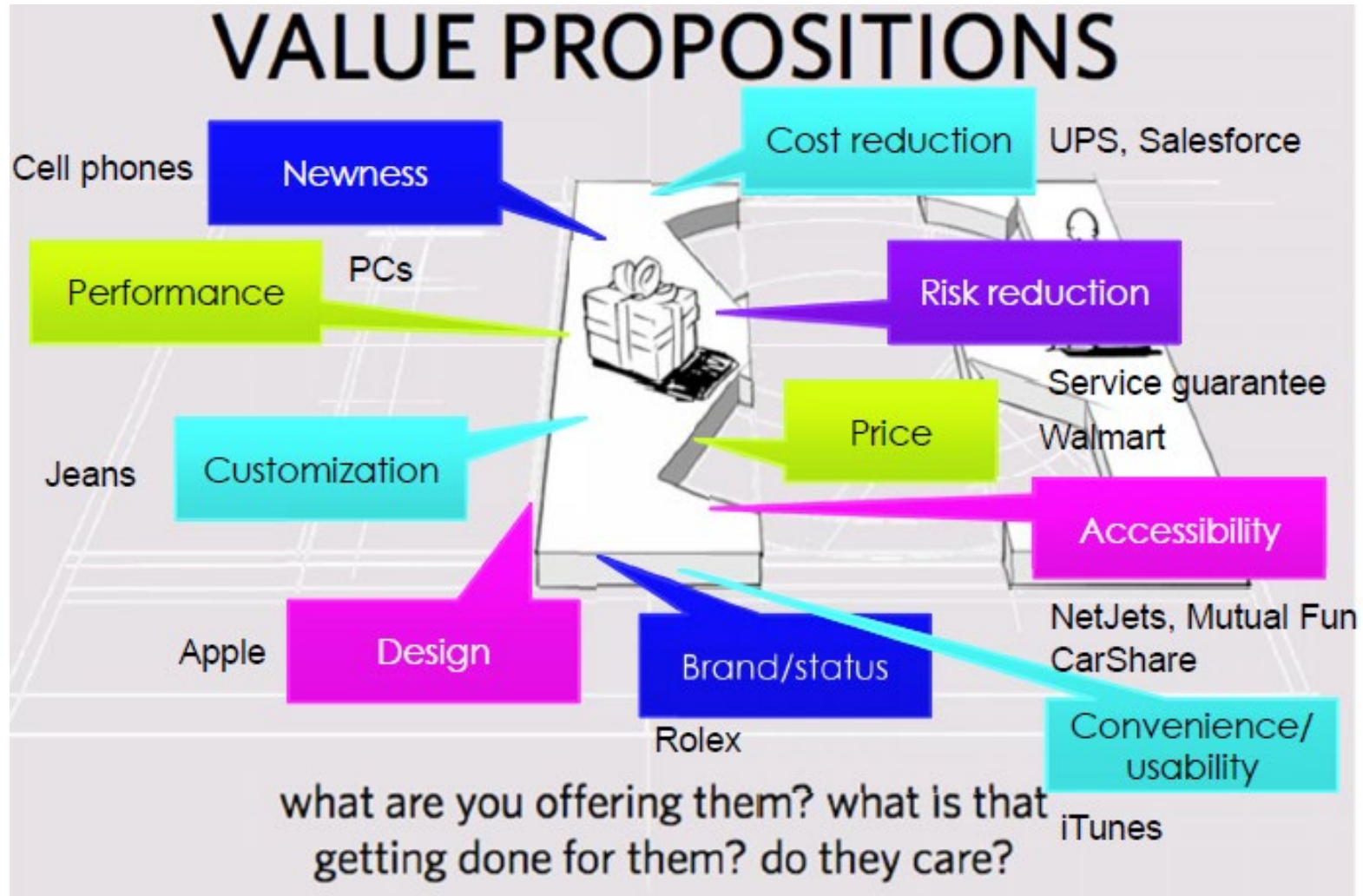


Example: Customer Segments for **Grab Ride**

1. Passengers
2. Drivers

Business Model Canvas

– Value Proposition



Example: Value Proposition for **Grab Ride**

▶ **Passengers:**

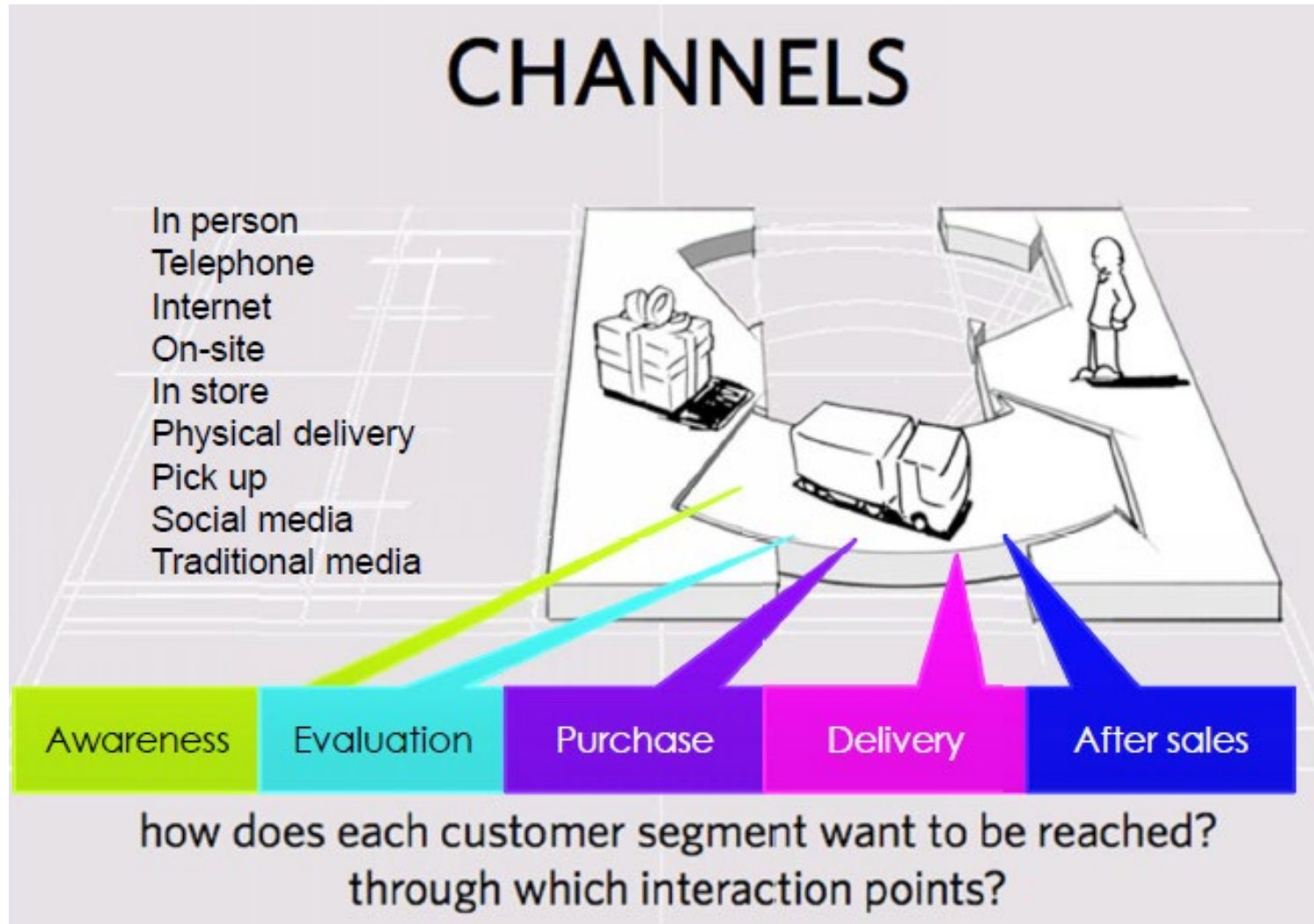
1. Taxi On Demand Service
2. Easy to order & short wait time
3. Cash-free

▶ **Drivers:**

1. Passengers On Demand
2. Easy to make additional money using own vehicles

Business Model Canvas

– Channels

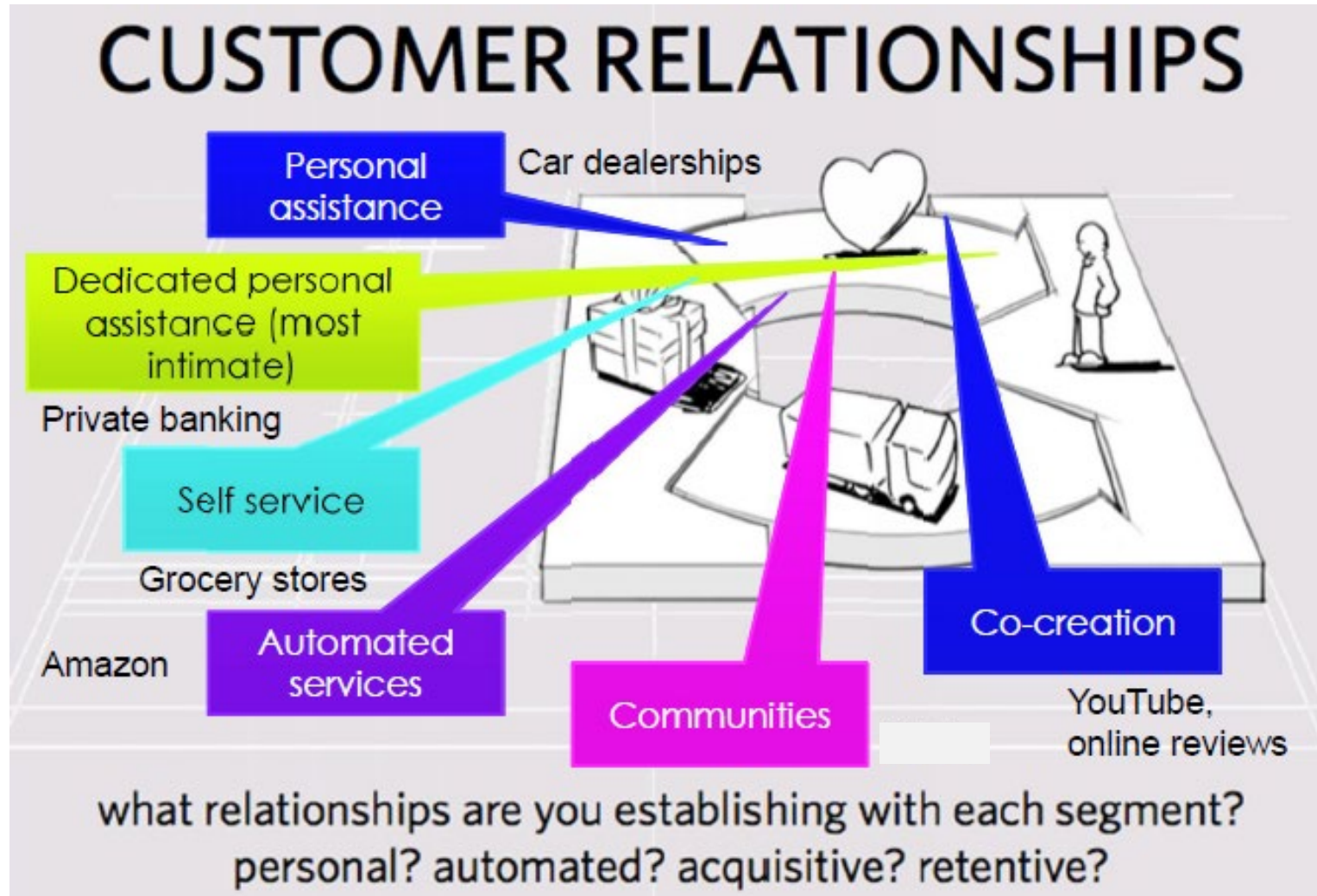


Example: Channels for **Grab Ride**

1. Mobile App
2. Marketing - Social Media & PR

Business Model Canvas

– Customer Relationships

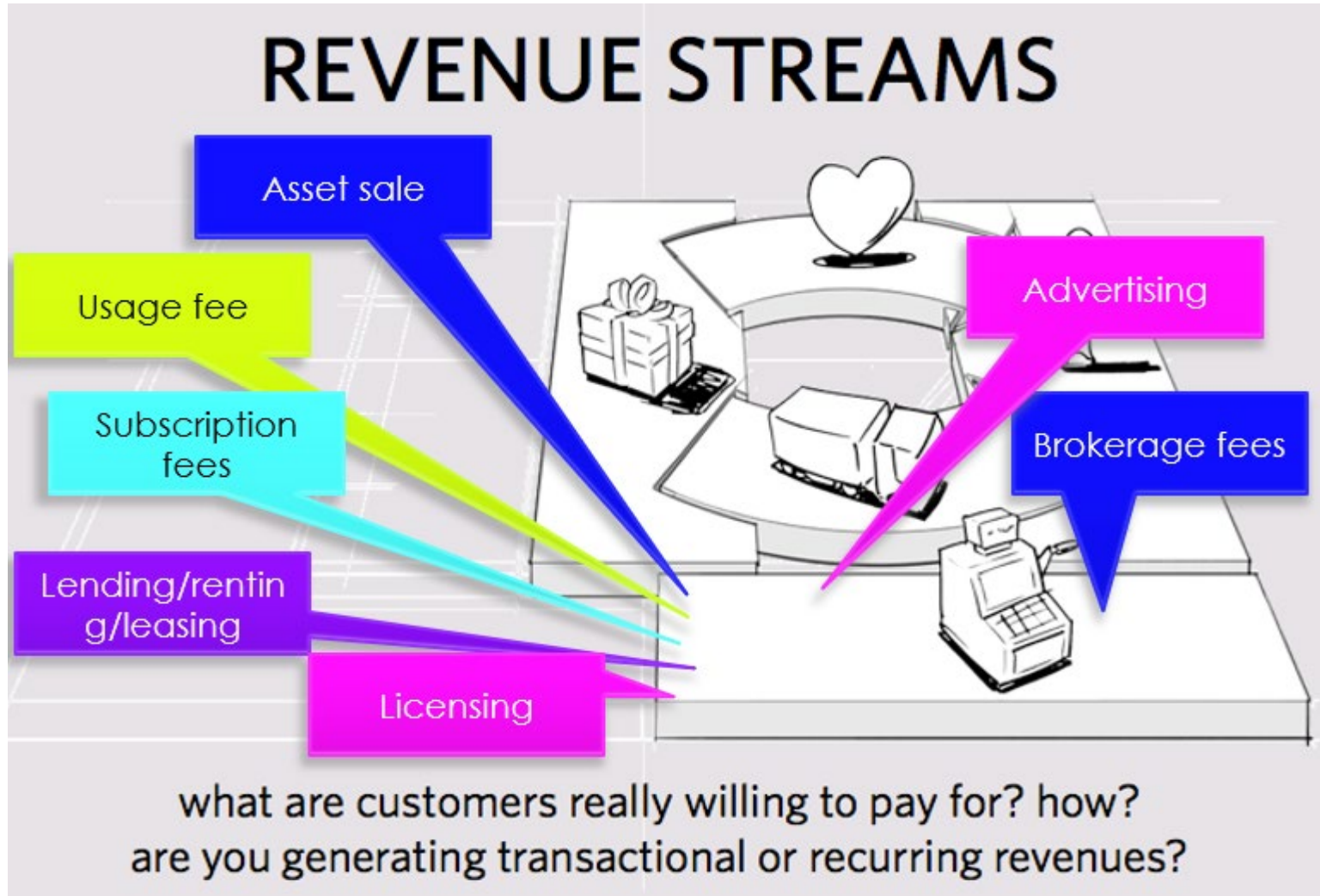


Example: Customer Relationships for **Grab Ride**

I. Automated through Mobile App

Business Model Canvas

– Revenue Streams

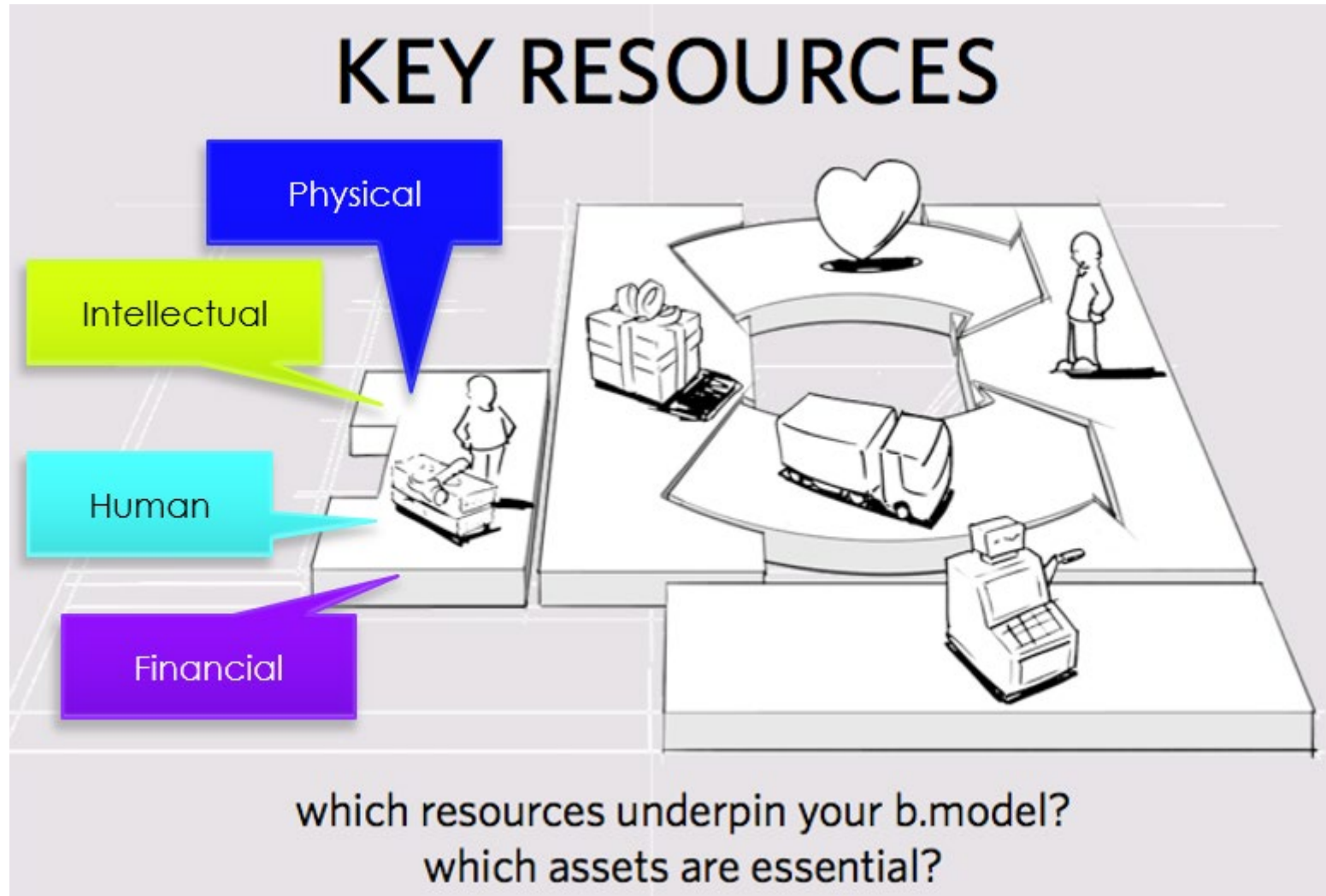


Example: Revenue Streams for **Grab Ride**

1. % cut from each fare
2. Surge Pricing
3. Premium Ride

Business Model Canvas

– Key Resources

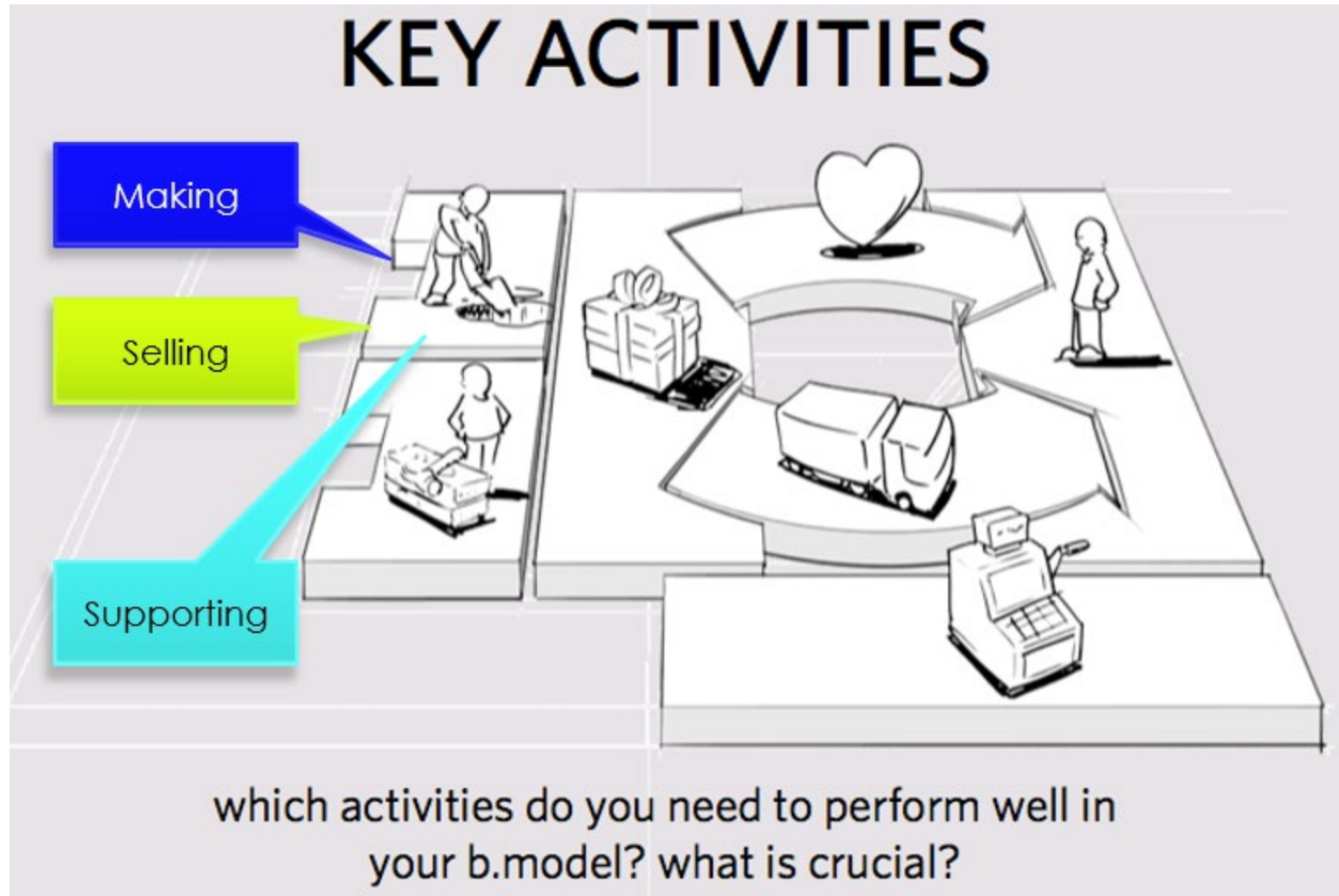


Example: Key Resources for **Grab Ride**

1. Platform – Mobile App
2. Mapping & Routing Algorithm
3. Pricing Algorithm for dynamic pricing

Business Model Canvas

– Key Activities

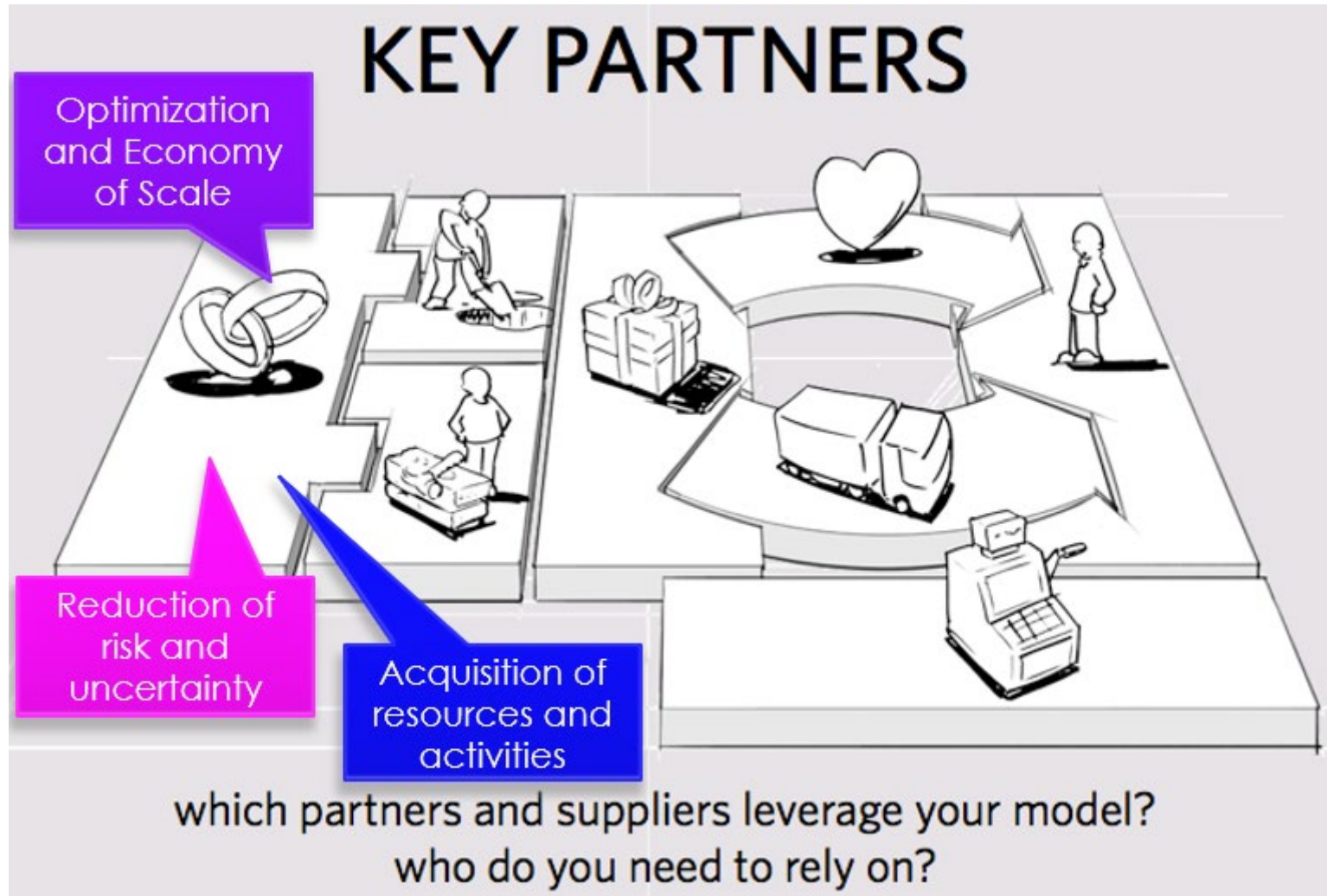


Example: Key Activities for **Grab Ride**

1. Development/Maintenance of Platform – Mobile App
2. Marketing & PR
3. Drivers Onboarding
4. Customer Service

Business Model Canvas

– Key Partners

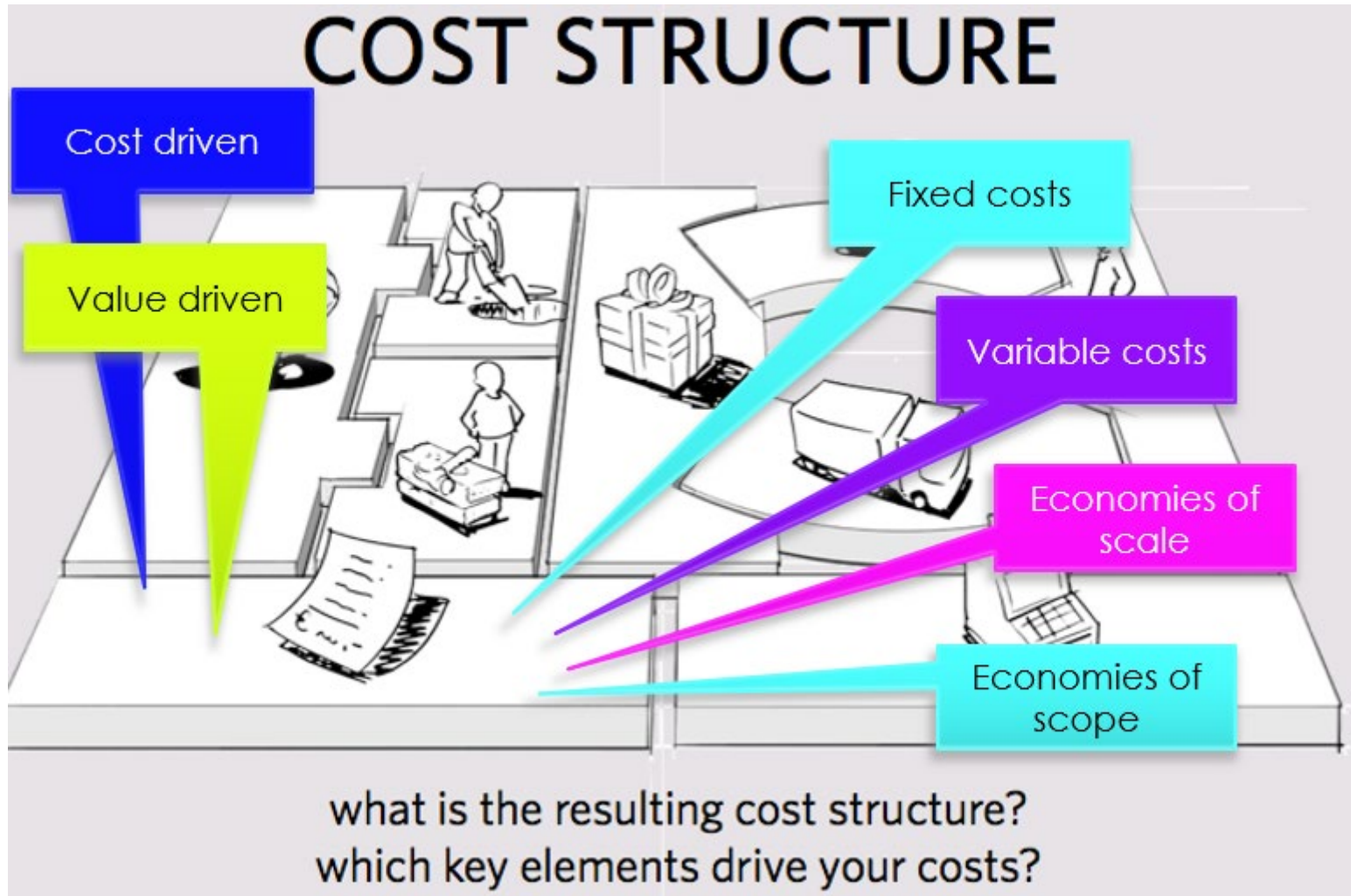


Example: Key Partners for **Grab Ride**

1. Private drivers
2. Mapping Data Providers
3. Payment Processors for cashless payment
4. Local Authorities (e.g. LTA in SG)

Business Model Canvas

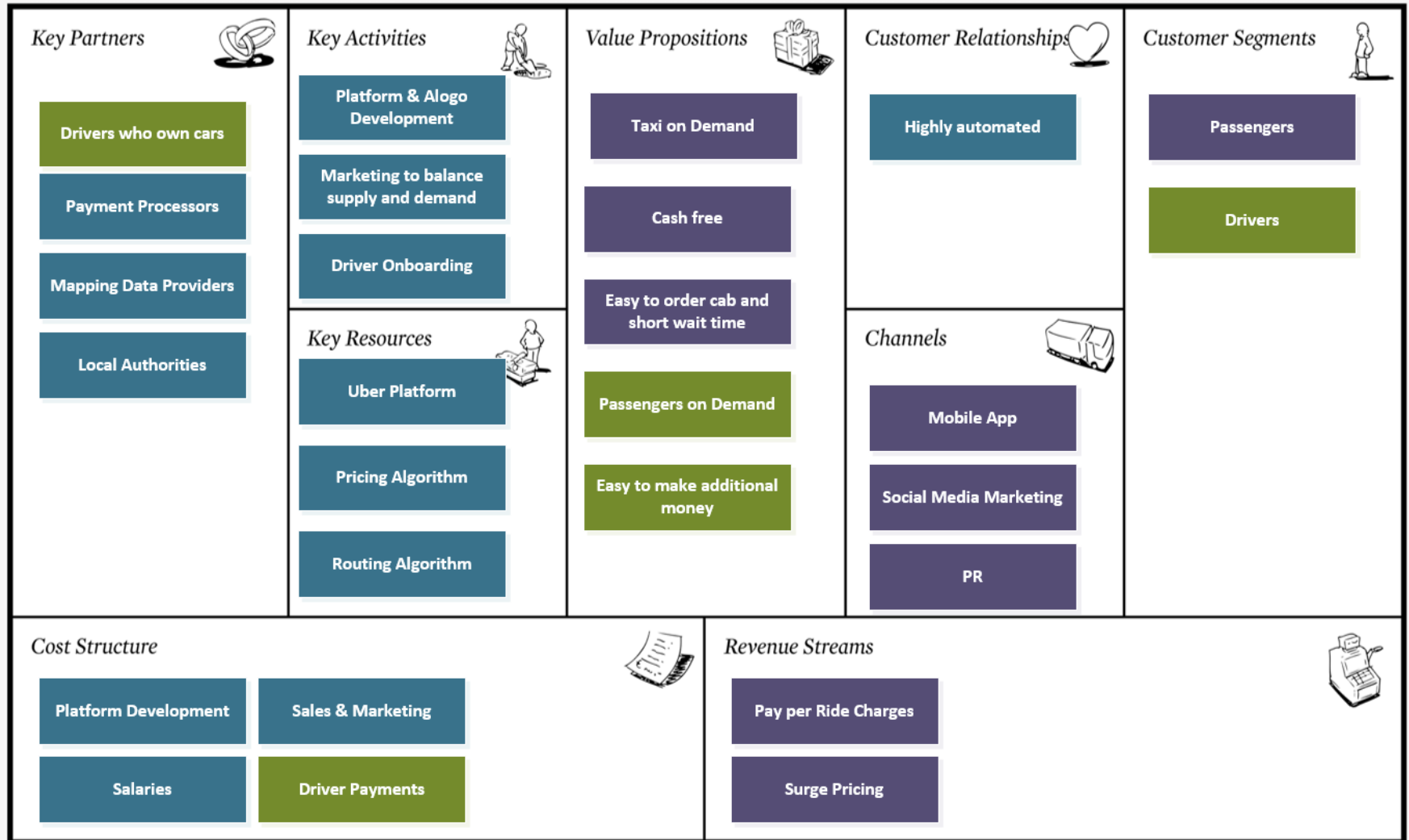
– Cost Structure



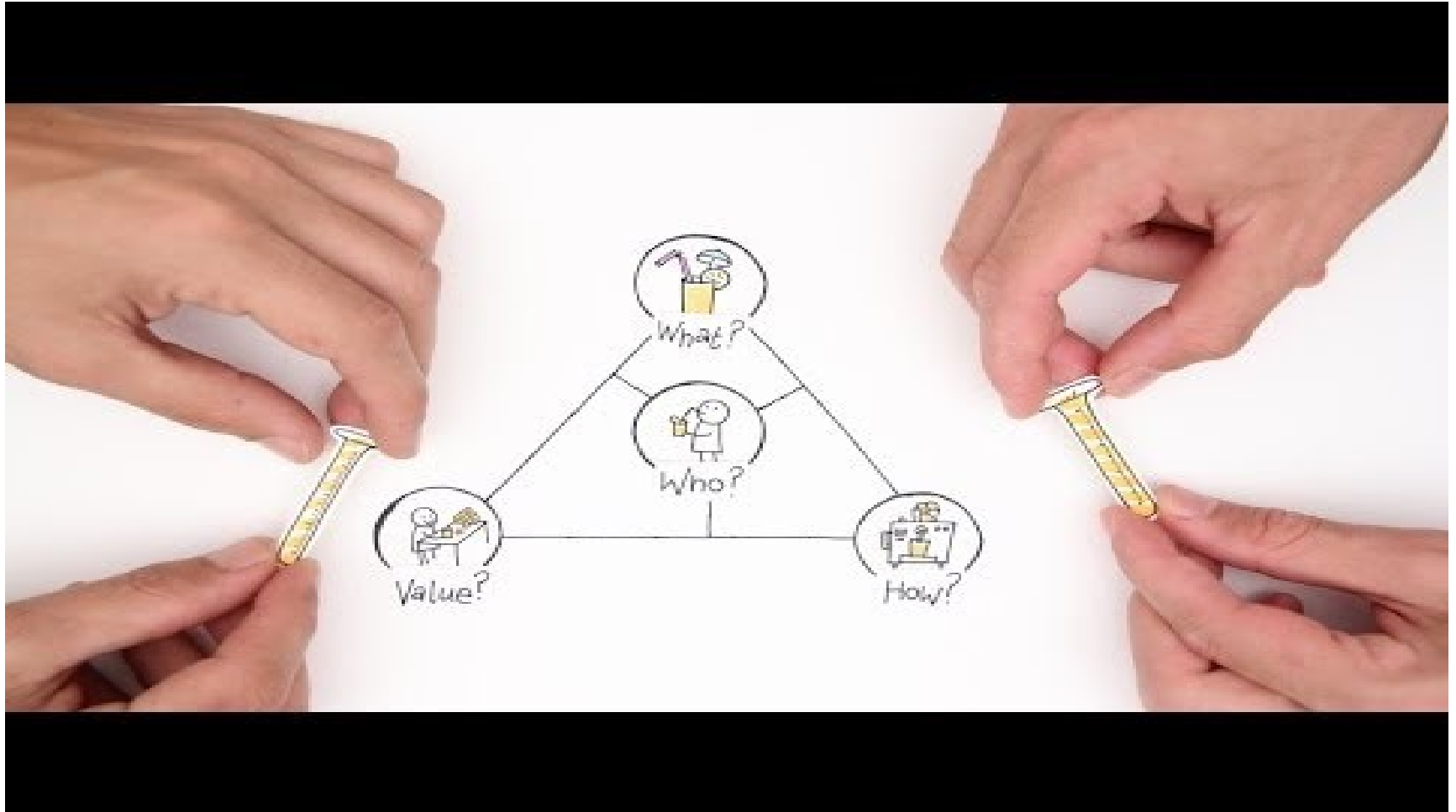
Example: Cost Structure for **Grab Ride**

1. Development/Maintenance of App Platform
2. Marketing & PR
3. Staff Salaries
4. Drivers

Example: Business Model Canvas for Grab Ride



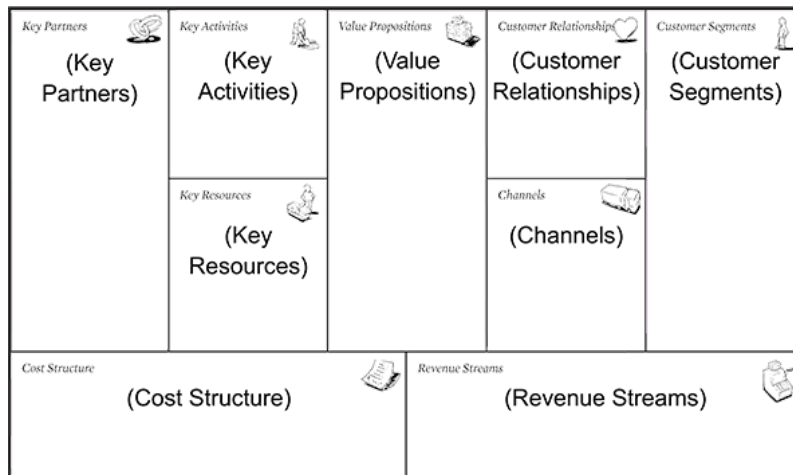
Business Model Innovation



Source: <https://youtu.be/B4ZSGQW0UMI>

Summary

- ▶ Business model innovation is the **conscious change of an existing business model** or the **creation of a new business model** that **better satisfies the needs of the customer** than existing business models.
- ▶ Business Model Canvas



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- ▶ Business Innovation need NOT be something new.
- ▶ Business Innovation need to go through initiation, ideation, integration and implementation