



**UNIVERSITÀ  
DEGLI STUDI  
DI TRIESTE**

**Deams**

Dipartimento di

**Scienze Economiche, Aziendali,  
Matematiche e Statistiche "Bruno de Finetti"**

**UNIVERSITY OF TRIESTE – DEAMS DEPARTMENT  
BACHELOR COURSE IN BUSINESS & MANAGEMENT  
A.Y. 2022 – 2023**

**BLOCK 2**

**Management of Innovation**

**INSTRUCTOR**

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# BUSINESS MODEL INNOVATION

- The business model is a consistent framework through the which business ideas are converted into economic value by firms. A business model:
  1. Identifies a market segment
  2. Articulates the value of the proposed offering
  3. Focus on the key attributes of the offering (characteristics of the offering and main benefits for consumers)
  4. Defines the value system to deliver that offering
  5. Creates a way for getting paid
  6. Establishes the value network and the external conditions needed to sustain the model

# 1. Identify a market segment

- Is it possible to segment the market?
- Who's the client / who is the user? Is it a B2B or a B2C one?
- Are there underserved needs?
- Is there any market potential?

## 2. Value drivers

- The main and most important benefits provided to the client / user and the main reason why customers choose “the” company and not a competitor

# VALUE DRIVERS



## CUSTOMIZATION

Tailoring products and services to the specific needs of individual customers or segments. Increasing role of MASS CUSTOMIZATION and CUSTOMER CO-CREATION processes.



## GETTING THE JOB DONE

Offering “solutions” to users instead of single products and services.



## PERFORMANCE

Improving existing product or service performance



## DESIGN

A product may stand out for superior design/aesthetic



## BRAND / STATUS

Users could value a specific brand and/or be “proud” to show others they belong to a certain “community”



## NEWNESS

The product or service satisfies entirely new needs not perceived before by the user

# VALUE DRIVERS



## PRICE

Offering similar values to price-sensitive consumers but at a lower prices.



## ACCESSIBILITY

Making products or services accessible to users who previously lacked access to them (sharing economy)



## COST REDUCTION

Offering products, services or solutions that help clients to reduce their costs



## USABILITY

Make products easier or more convenient to use



## RISK REDUCTION

Reduce the uncertainty and the risks consumers incur when they buy “complex” products



Firms can provide more than 1 value driver to users!  
However, too much drivers may create confusion

### 3. Key attributes

- It is the list of benefits provided to user
- Such benefits are also the main source of the differentiation strategies of the firm

## 4. Value system

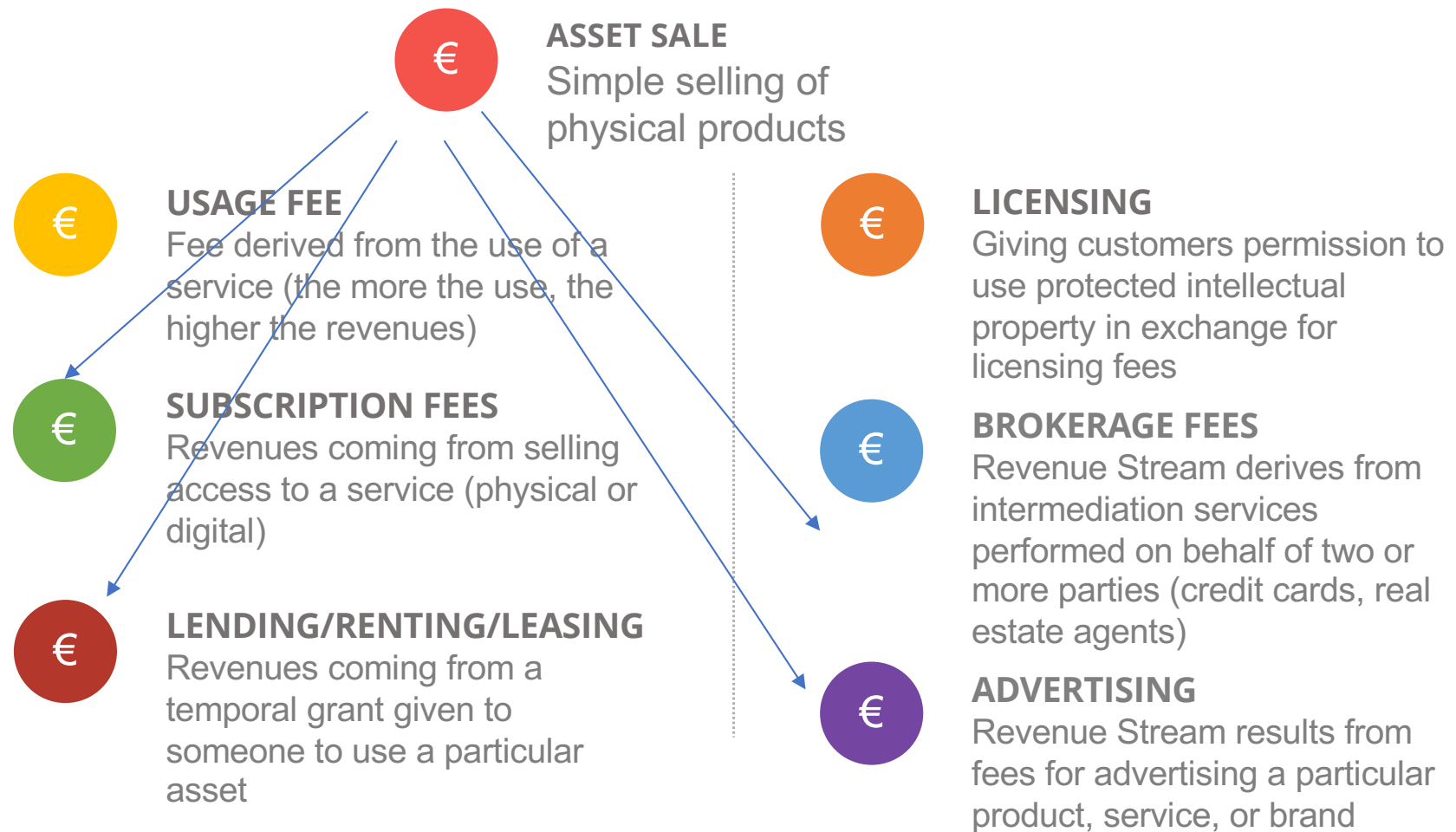
- It corresponds to the suppliers (and sub-suppliers) of the company and to the distributors and clients
- Strategy alignment and consistency is needed to create and preserve the competitive advantage (i.e., a “cheap” supplier could be counterproductive for the pursue of a “differentiation” strategy)



## 5. Ways of getting paid

- It corresponds to the “revenue model” of the firm, that is the model used by the firm for generating revenues
- A firm could (at the same time) sell products, provide access to the product (leasing); provide financial services; provide maintenance services; sell spare parts; etc.
- All the above are different revenue streams

# REVENUE STREAMS



## 6a. Value network

- All the external parties, other than suppliers and clients, that could significantly impact on the success/failure of a business venture that are not regulated by business relationships (for example: influencers; investors; scholars; journalists; general public; communities; public bodies; other companies; etc.)
- The value network can be “activated” by a firm but can be controlled just in part

## 6b. External conditions

It refers to the external (to the firm) conditions - such as norms, rules, standards, degree of technological development, infrastructures, etc. - that are relevant to determine the success/failure of a business venture, on which the company has no direct control and poor influence.

# The business model of RYANAIR and EASYJET

