UNIVERSITÀ DEGLI STUDI DI TRIESTE

UNIVERSITY OF TRIESTE – DISPES

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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.

PERFORMANCE

Improving existing product or service performance

BRAND / STATUS

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

GETTING THE JOB DONE

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

DESIGN

A product may stand out for superior design/aesthetic

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.

COST REDUCTION

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

RISK REDUCTION

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

ACCESSIBILITY

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

USABILITY

Make products easier or more convenient to use

SUSTAINABILITY

Making products good for the firm, the society, and the environment

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

ASSET SALE
Simple selling of physical products

USAGE FEE
Fee derived from the use of a service (the more the use, the higher the revenues)

SUBSCRIPTION FEES
Revenues coming from selling access to a service (physical or digital)

LENDING/RENTING/LEASING
Revenues coming from a temporal grant given to someone to use a particular asset

LICENSING
Giving customers permission to use protected intellectual property in exchange for licensing fees

BROKERAGE FEES
Revenue Stream derives from intermediation services performed on behalf of two or more parties (credit cards, real estate agents)

ADVERTISING
Revenue Stream results from fees for advertising a particular product, service, or brand

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.