



2 Day Workshop on Business Model Design

Tecnologico de Monterrey
Guadalajara, Mexico, June 7-8, 2007



change is the process by which
the future invades our lives

-> Alvin Toffler

“ business people don’t
just need to understand
designers better; they
need to *become*”
designers

Roger Martin, Dean Rotman School





why is each of **us** here?



your **expectations** for the next 2 days?



A woman with short dark hair, wearing a dark lab coat over a dark top, stands in a dark laboratory. She is holding a large Erlenmeyer flask high in her right hand, which is filled with a bright blue, glowing liquid. The glow from the flask illuminates her face and the lab coat. On the lab bench in front of her, there are several other pieces of glassware, including another glowing blue Erlenmeyer flask, a beaker, and a small bottle. The background is dark, with some faint lights and a window visible. The overall atmosphere is mysterious and scientific.

this workshop is an experiment!

what is design?



tell me, what is design?



“ the only thing that’s
not designed is ”
nature

Dave Kelly, IDEO



“ adaptation of
means to a ”
preconceived end

dictionary.com



“
transformation of
existing conditions
into preferred ones”

Herbert Simon, 1969



I

D

O

E



redesign of a shopping cart

video

A night scene featuring a bright, jagged lightning bolt striking a line of trees. The lightning bolt is the central focus, appearing as a brilliant white and blue streak against the dark sky. Below it, a dense line of trees is illuminated with a warm, orange glow, suggesting they are on fire or have been struck by the lightning. The background is a deep, dark black, making the lightning and the glowing trees stand out prominently. The overall atmosphere is dramatic and intense.

what is striking in the video?

characteristics of
design thinking?

user-centered





creativity & exploration

interdisciplinary





holistic



fit

the designer's
toolbox



Table with handwritten data on the whiteboard:

	INSTRON	Cost
MI	8.2	0
TK	8.5	0
IV	8.3	0
		0
		0
		0
		0
		0

co-creation

POSITIONNEMENT

CLIENTS

ORGANISATION

INTERNATIONAL

PRIVATE BANK
= COMMODITY

- DEMANDE PLUS POINTUES

I CENTRALISER
DECENTRALISER

Globalising
Produits / Marchés

ARGE = BOUTIQUE

Argent / frais de + en
→ Investir direct

1-2 ASSOCIÉS RESPONSABLES

N°1 PRIORITAIRE BANK ASIA

regroupement des acteurs

Perce comme efficace gain de position

GP ≥ 50%

+ de markete

ideation

A avantage secret bancaire

I SOUPLESSE

DEFINIR LES EQUIPE OFFSHORE

IMAGE

PERFORMANCE PRODUITS

MARCHES

PERSONNEL

DIFFERENCE 2

PERFORMANCE

I CLIENTS

MOTIVATION

Retention

- QUALITÉ DES PRODUITS + SERVICES

MARKETING ↑

STABILITÉ PERSONNELLE

CORPORATE CULTURE

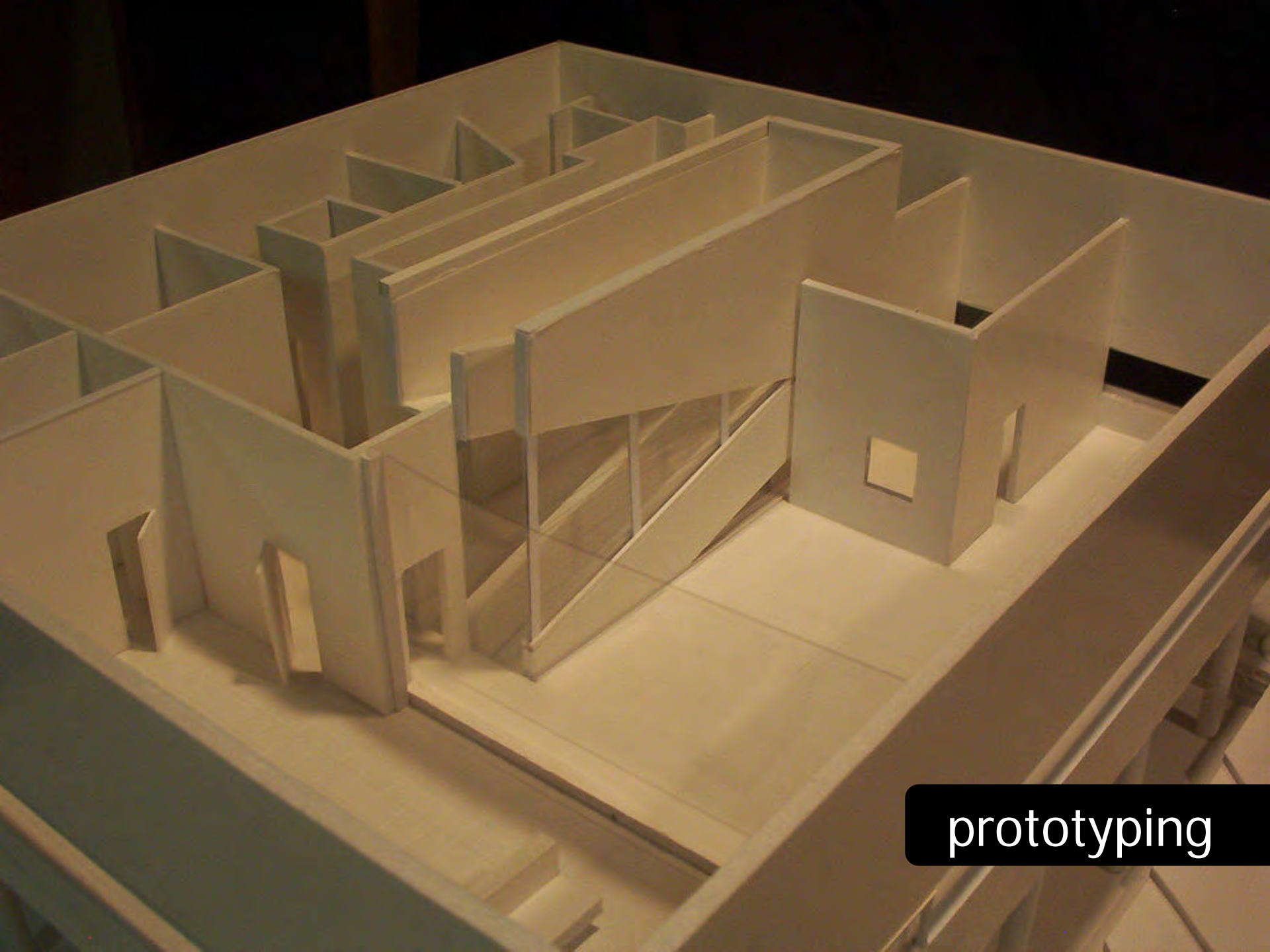
Qualité gestion

Specialisation géo/pol

GARANTIR

visualization





prototyping

and business?



how can design thinking
contribute to business?

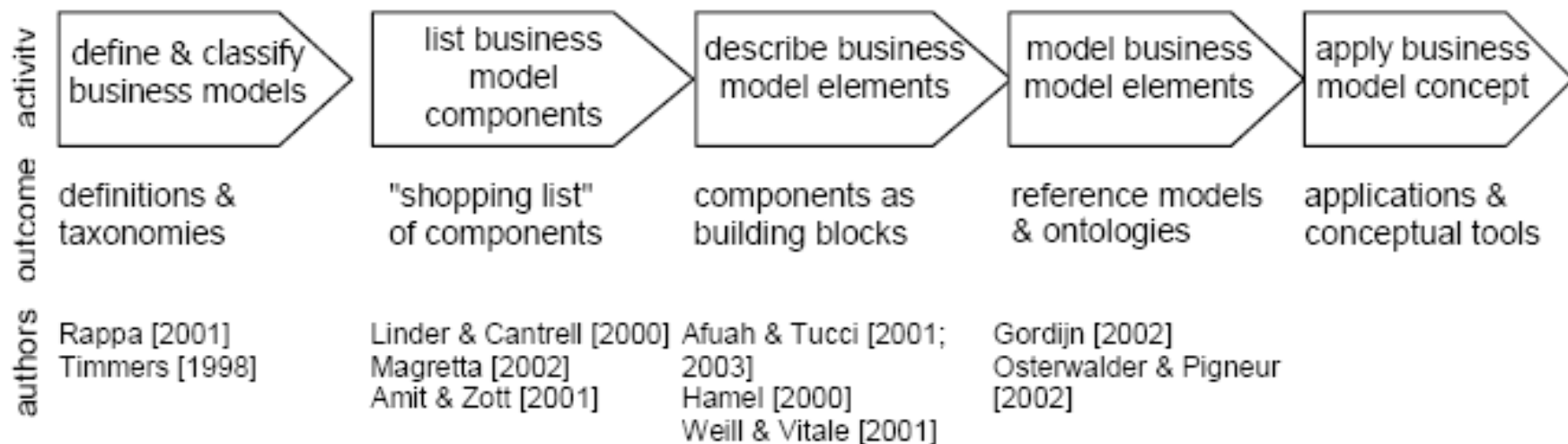


what is a
business model?

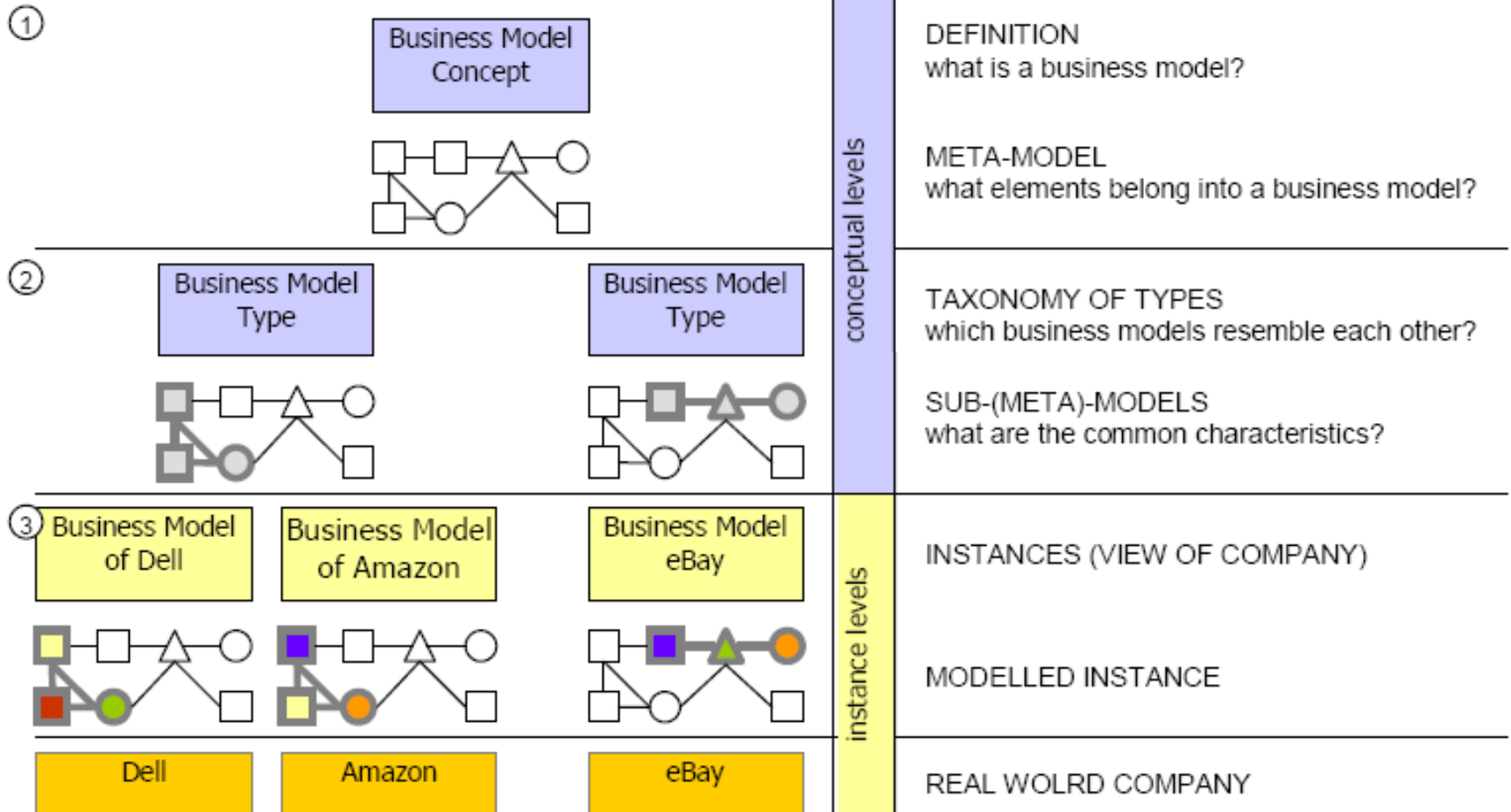


what's your business model?

evolution of the concept



understandings



Business model ontology	Stähler 2001	Weill and Vitale 2001	Petrovic, Kittl et al.	Gordijn 2002	Afuah and Tucci 2003	Tapscott, Ticoll et al. 2000	Linder and Cantrell 2000
Value Proposition	value proposition	Value Proposition, strategic objective	Value Model	Value offering	Customer Value		value proposition
Target Customer		Customer Segments		Market Segment	Scope		
Distribution Channel		Channels	Customer relations model				channel model
Customer Relationship			Customer relations model				commerce relationship
Value Configuration	Architecture		Production Mode	e3-value configuration	connected activities, value configuration	b-webs	commerce process model
Capability		Core competencies, CSF	Resource Model		capabilities		
Partnership	Architecture	e-business schematics		Actors	sustainability (team-up strategy)	b-webs	
Cost Structure				Value exchange	cost structure		
Revenue Model	Revenue Model	Source of revenue	Revenue Model	value exchange	pricing, revenue source		pricing model, revenue model

existing frameworks (i)

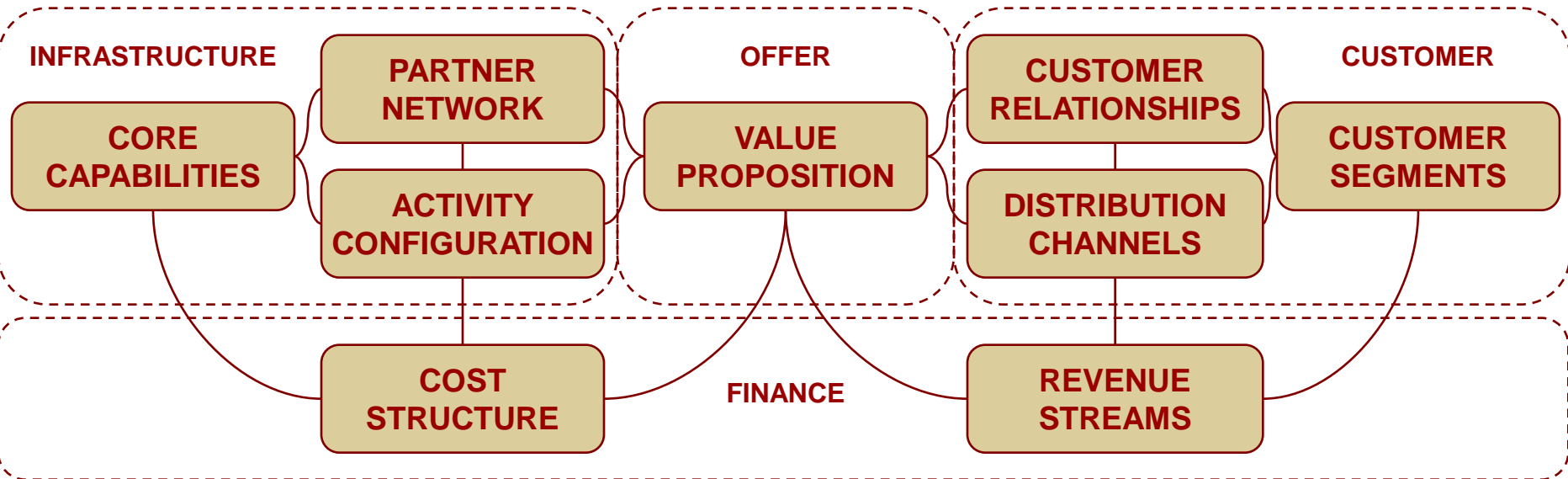


Business model ontology	Hamel 2000	Mahadevan 2000	Chesbrough and Rosenbloom 2000	Magretta 2002	Amit and Zott 2001	Applegate and Collura 2001	Maitland and Van de Kar 2002
Value Proposition	Product/market scope	Value stream	Value proposition	What does the customer value?	Transaction component	Product and Services offered	Value proposition, assumed value
Target Customer	Market scope		Market segment	Who is the customer?		Market opportunity	Market segment
Distribution Channel	Fulfillment & support, info & insight			How can we deliver value at an appropriate cost?		Marketing/sales model	
Customer Relationship	Relationship dynamics					Brand and reputation	
Value Configuration	Core processes	Logistical stream	Structure of the value chain		Architectural configuration	Operating model	
Capability	core competencies, strategic assets					Organization and culture, management model)	
Partnership	suppliers, partners, coalitions		Position in the value chain		Transaction component	Partners	Companies involved in creating value
Cost Structure			Cost structure	What is the underlying economic value?			
Revenue Model	pricing structure	Revenue stream		How do we make money in this business		Benefits to firm and stakeholders	Revenue Model

existing frameworks (ii)



business model framework



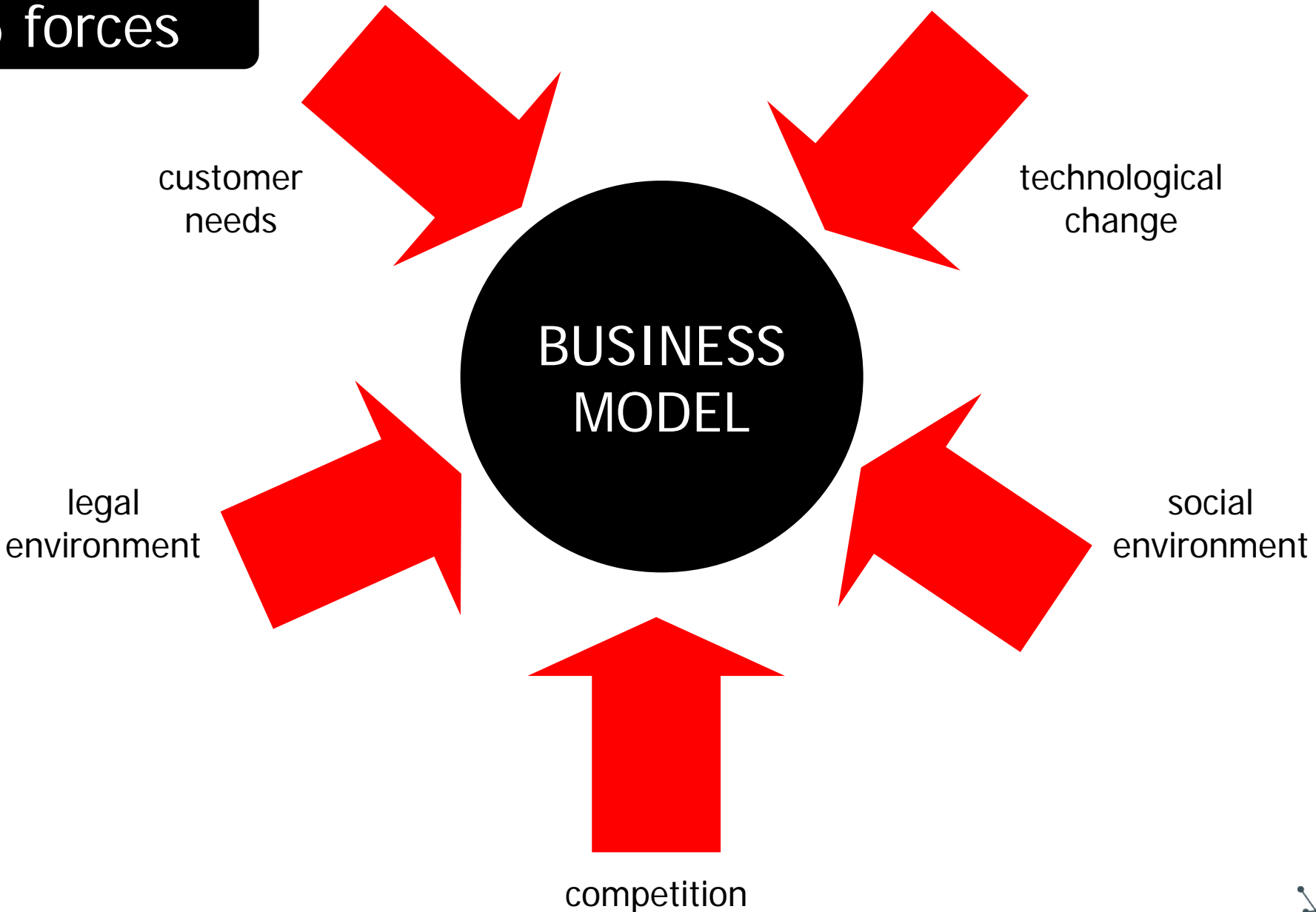
a business model describes the value an organization offers to various customers and portrays the capabilities and partners required for creating, marketing, and delivering this value and relationship capital with the goal of generating profitable and sustainable revenue streams



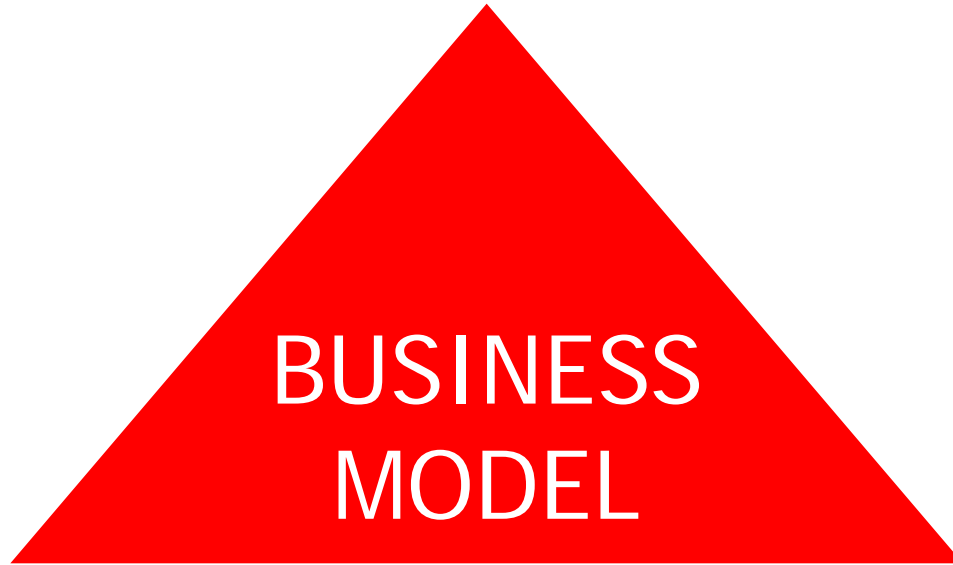


external forces

5 forces



STRATEGY



ORGANIZATION

TECHNOLOGY

the business model's place in the company



why this rise of the term business model?

Year	in title	in abstract	in keywords	in full text
2003	30	159	10	667
2002	22	109	2	617
2001	11	100	7	609
2000	16	67	1	491
1999	3	42	1	262
1998	1	19	0	128
1997	1	14	0	66
1996	0	14	0	57
1995	0	4	0	36
1994	0	2	0	18
1993	0	5	0	18
1992	0	2	0	15
1991	0	1	0	10
1990	0	4	0	7

occurrences of the term "business model" in scholarly reviewed journals



YOU INC.

A close-up portrait of Vinod Khosla, a middle-aged man with short, graying hair. He is looking directly at the camera with a neutral expression. He is wearing a dark, possibly black, turtleneck sweater. The background is out of focus, showing soft blue and white light sources.

Vinod Khosla, VC

Instituto de Empresa
February 1 2005

outte
Director
s EMEA

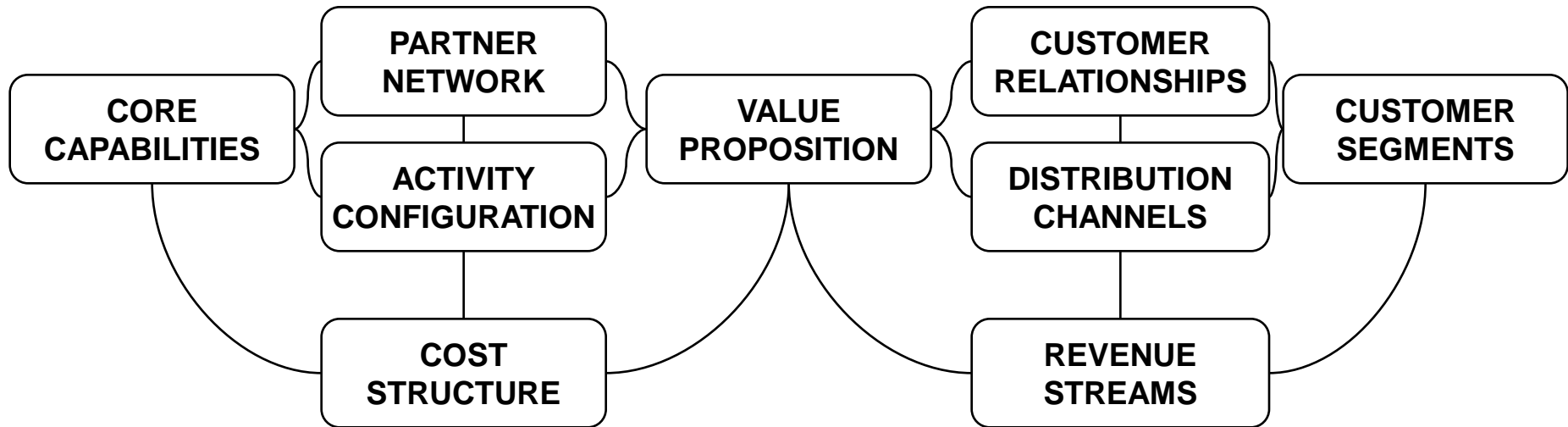
PLANTRONICS

Niklas Zennström

 Instituto
de Empresa
Business School

play Niklas Zennström, serial entrepreneur

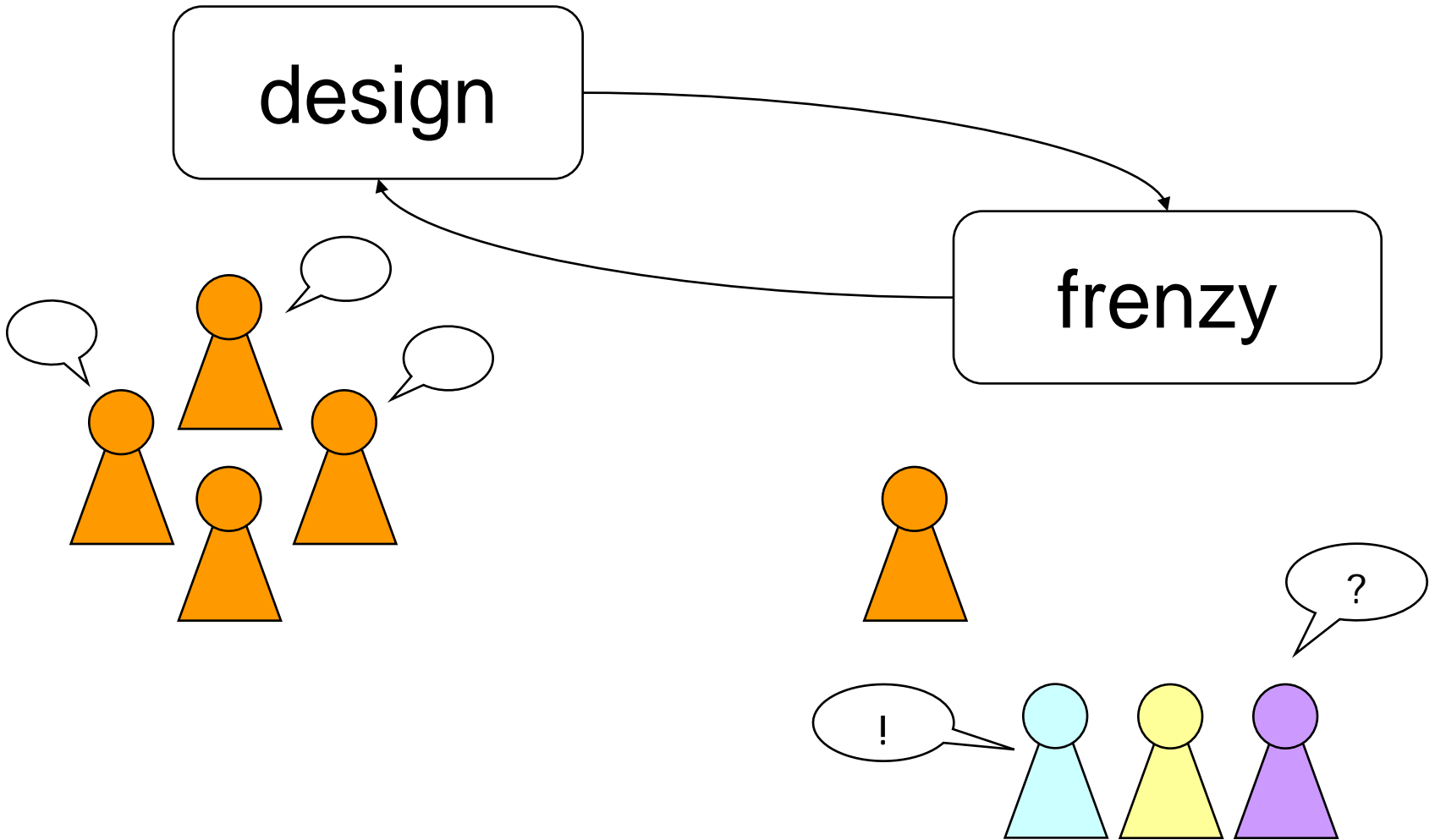
design your business model



choose your market



design **YOUR**
business

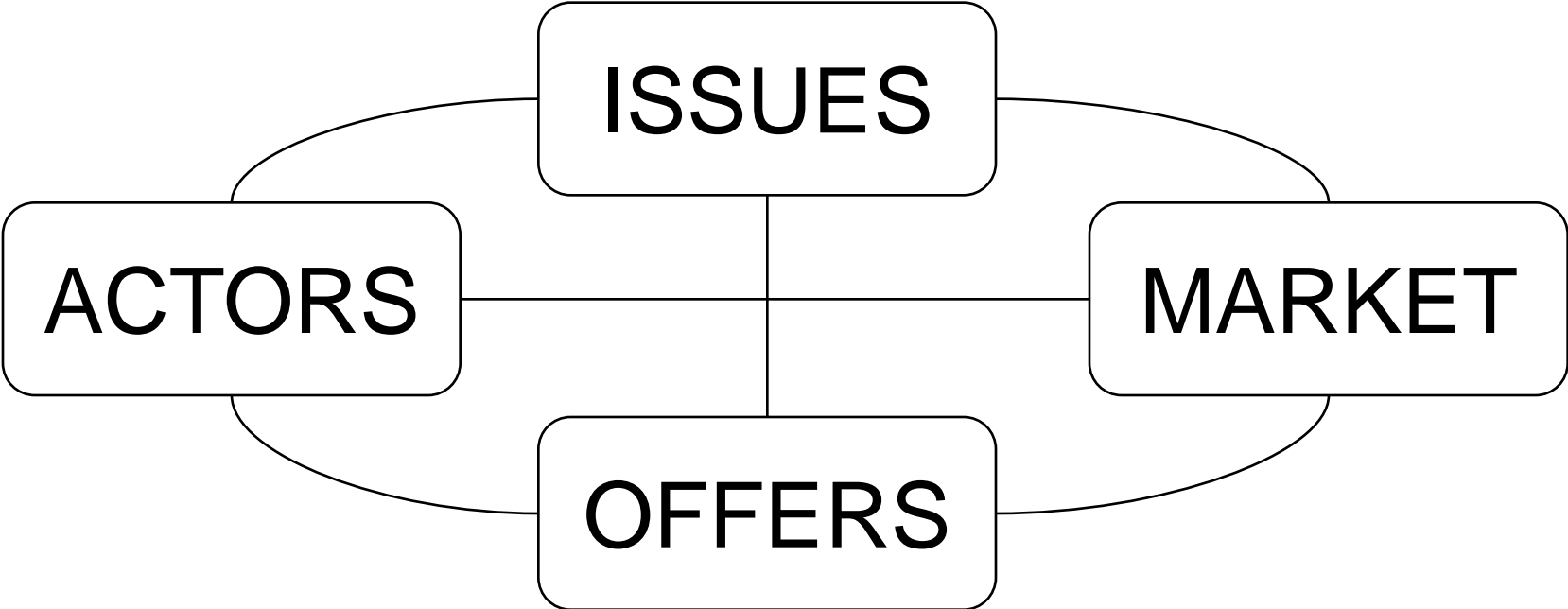


process

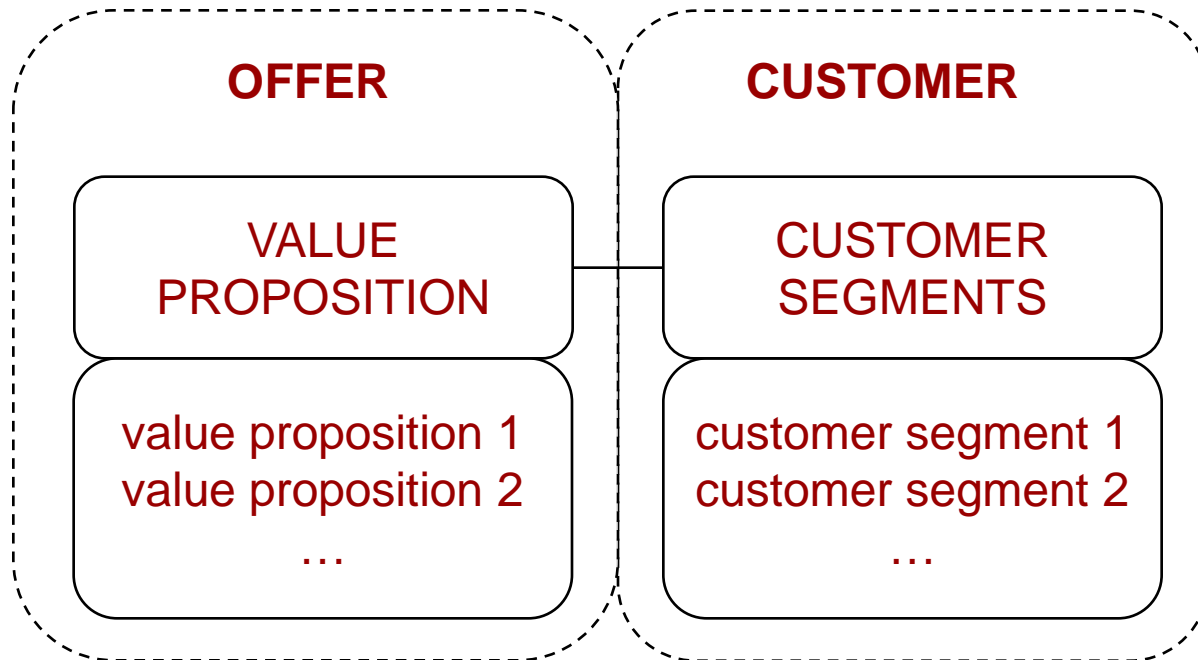


break-out session

sketch out the market



what value do you offer to which customer segments? (model)



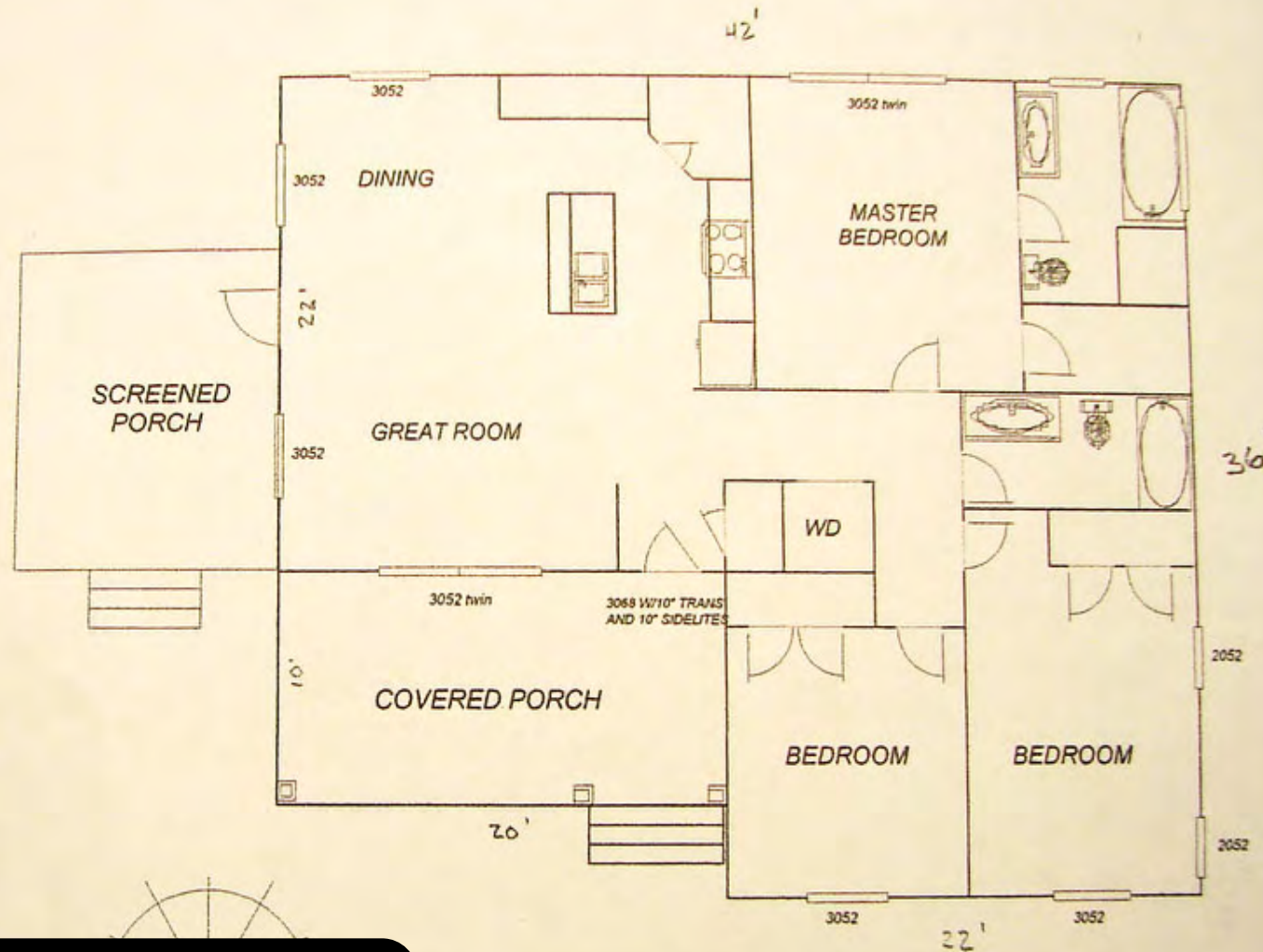
why talk about
business models?

SINGLE FAMILY

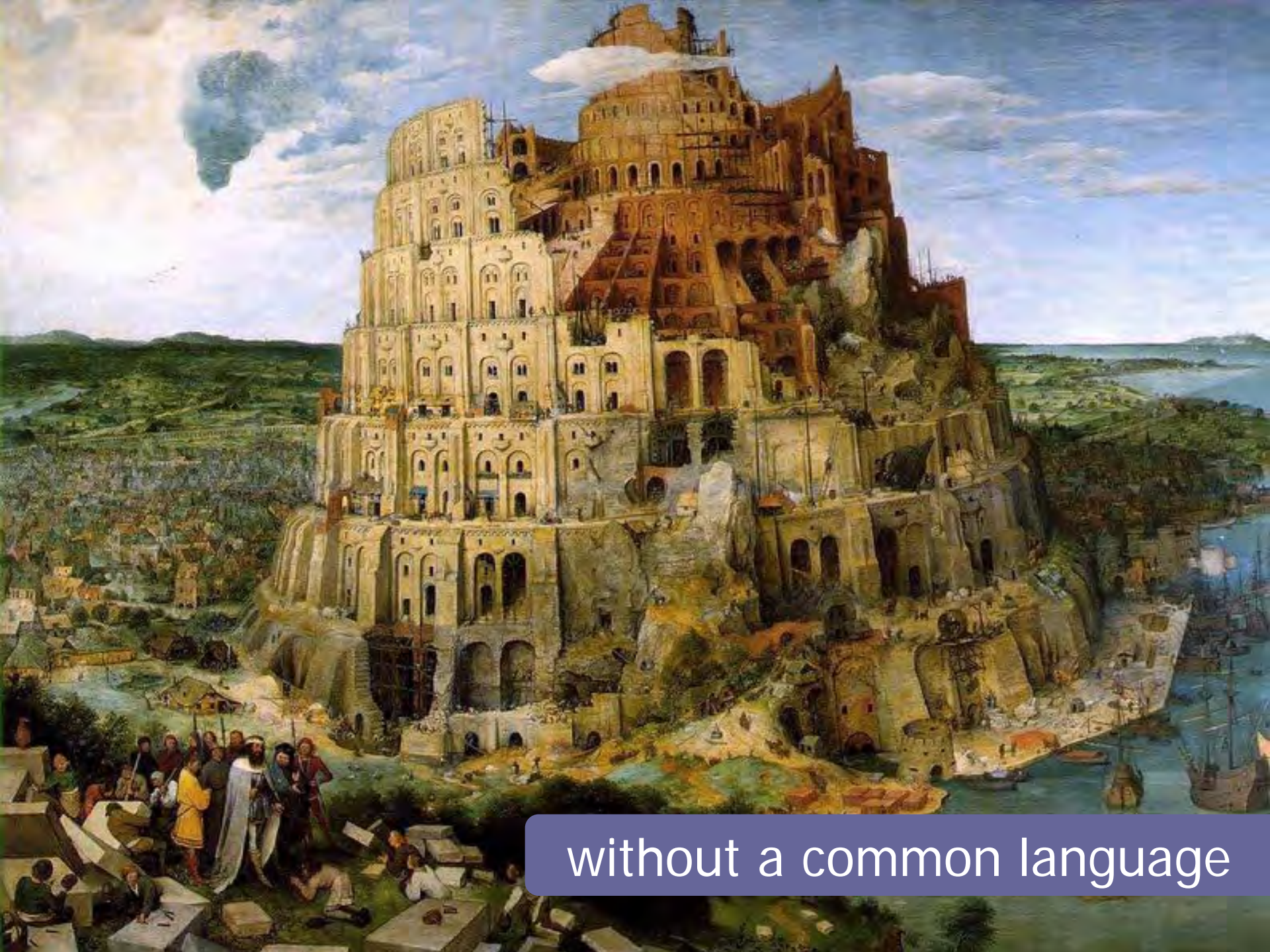
Heated Living = 1232 sq ft
Covered Porch = 200 sq ft
Screened Porch = 168 sq ft

DESCRIPTION:

- hardplank siding w/5" exposure
- metal roof
- crawlspace
- 12" columns on front porch
- exterior doors/windows cased w/1x4 w/backband
- bamboo/tile throughout
- interior doors/windows cased w/ RB3
- 5" crown in common rooms



how do you describe a
business model?



without a common language



how do you **communicate** a
business model?

1%
Strategy

18%

3000%

Text

Text

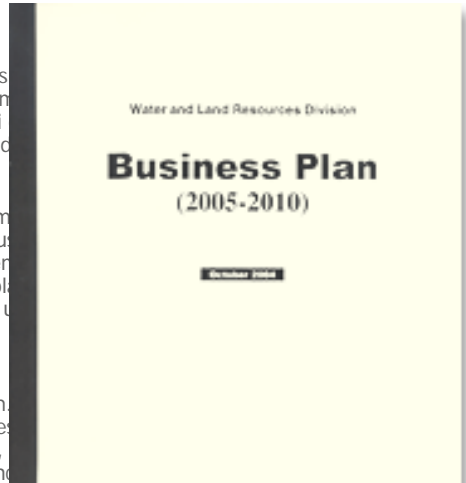
Text

Development plan

- Quis tempore felis, congue a, elementum faucibus id, sed ut ipsum utrum enim. Pellentesque pulvinar dignissim nisi amet. Pellentesque vitae, lobortis mod in, mi. Ut lacus tellus laoreet blandit nunc. Morbi massa sit amet ornare ipsum, neque nunc leo, vitae porttitor mi. Facilis gravida nascitur ut lorem. Pellentesque augue suscipit orper. Aenean eleifend

- Etiam congue. Vestibulum suspendisse. Aliquam volutpat. Lorem ipsum elit natus natoque penatibus et magnis dis parturient montes, nascetur ridiculus mus. Sed enim et metus. Maecenas faucibus ligula convallis mauris dui quam, congue eu, commodo nec, tristique in. Nulla auctor ser ac iaculis vestibulum. Aliquam dictum risus at odio. Fusce at lorem et elit faucibus placerat. Aenean velit. Proin elit odio, blandit dui. Nunc magna dolor, bibendum ut, accumsan congue, tincidunt sit amet, neque. Proin consequat tincidunt lacus. In ut facilisis imperdiet, lorem.

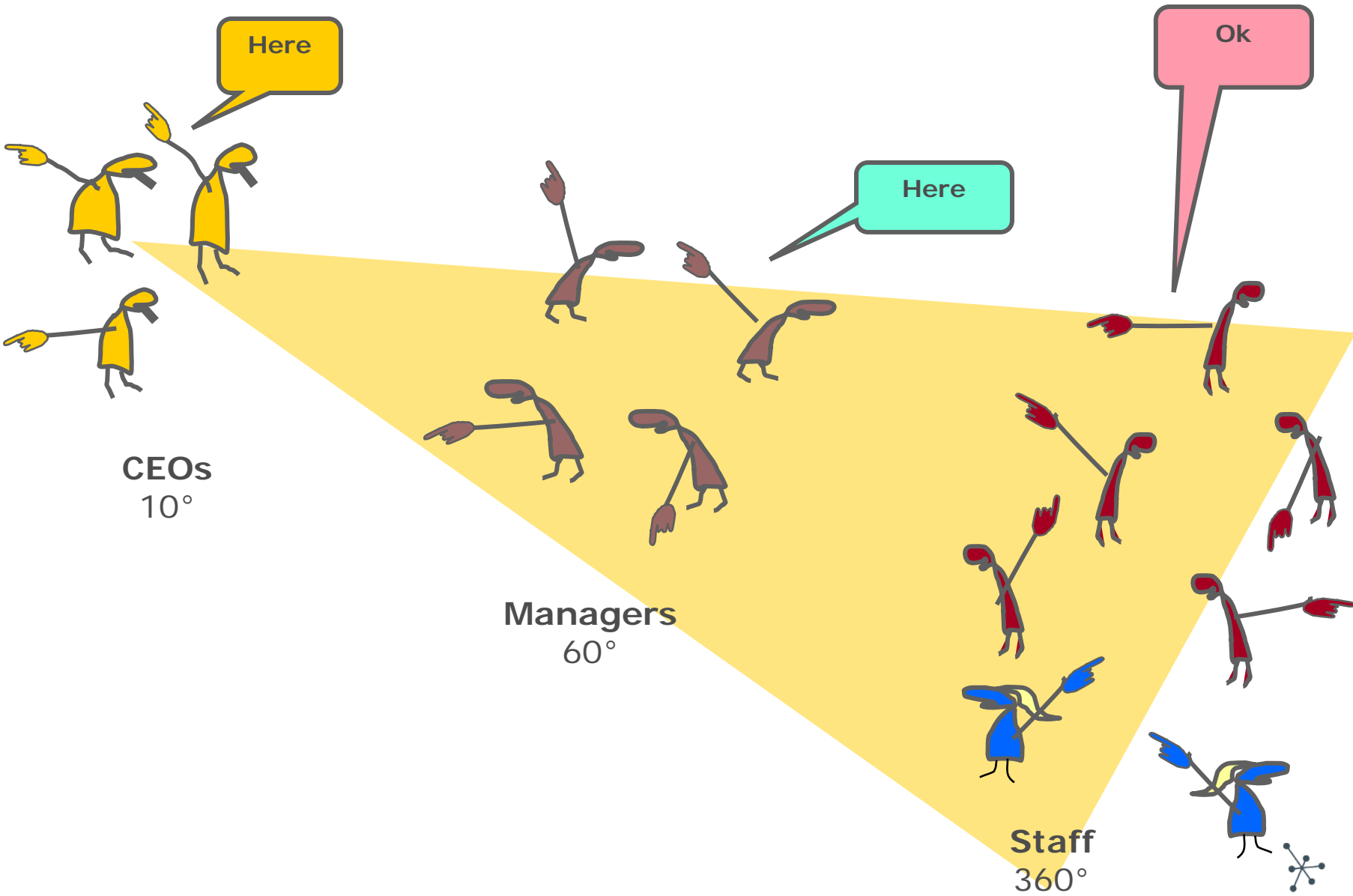
- Morbi nibh. Vivamus vitae dolor. Ut bibendum volutpat mi. Pellentesque quis magna non lectus elementum pretium, fringilla. Ut magna risus, placerat eget, egestas consectetur, ornare vel, felis. Nam ornare justo id orci mattis ultricies libero. Nunc nullam diam magna lorem. Aenean scelerisque, lacus eget ullamcorper scelerisque, ipsum urna viverra mi, lacinia feugiat pulvinar. Non sed natus natoque penatibus et magnis dis parturient montes, nascetur ridiculus mus. Ut nunc commodo laoreet, sem. Phasellus amet orci ut sapien vulputate. Aenean non justo nec magna lobortis volutpat.



12%

through inappropriate means





how do you **implement** a business model?



with outdated methods





how do you **measure** the
success of a business model?



we don't



how do you **change** a business
model **and innovate**?



we re-invent the wheel

Expanding the Innovation Horizon

The Global CEO Study 2006

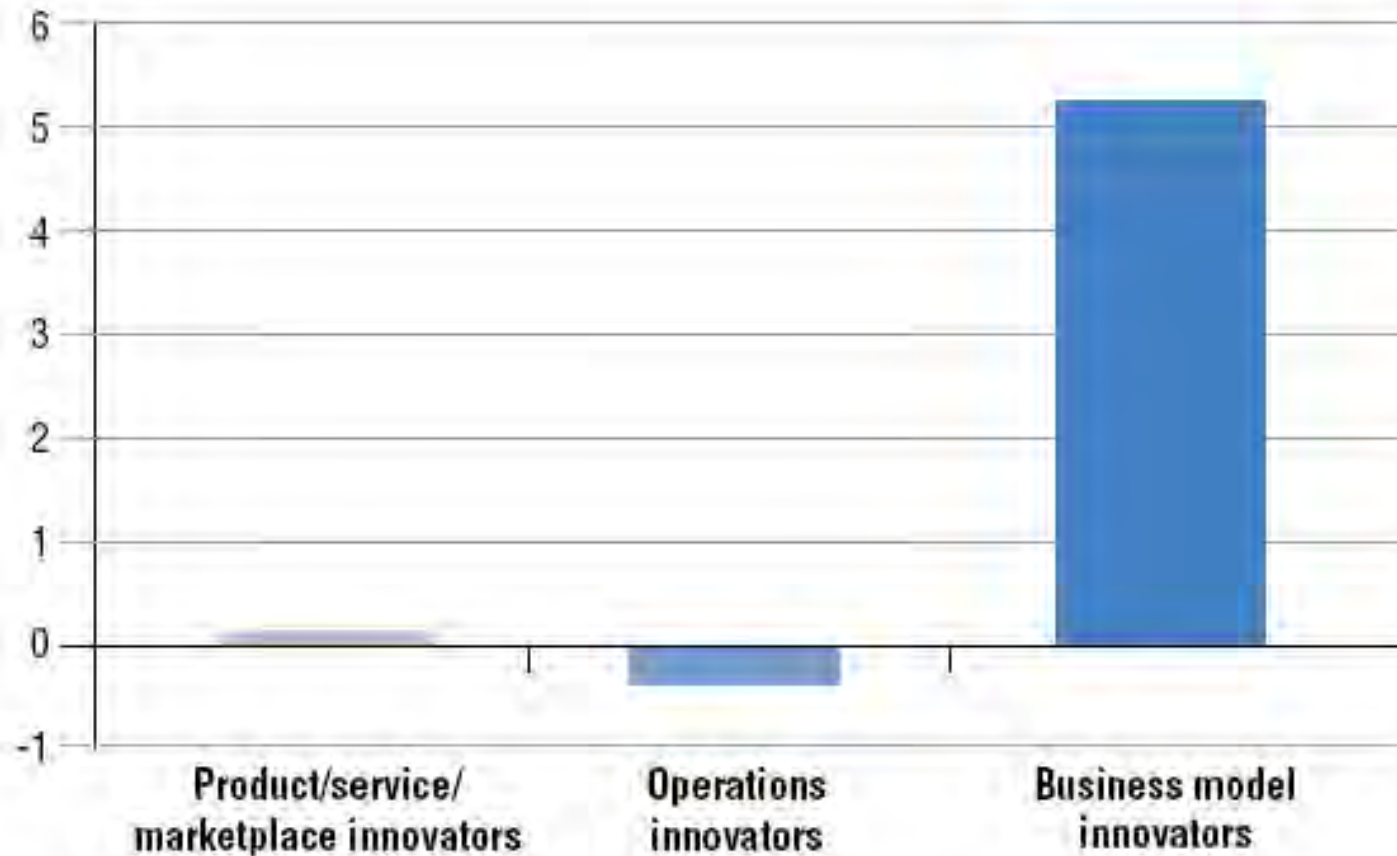
Executive Summary

*“Business model innovation matters”
and it is a top priority of CEOs*



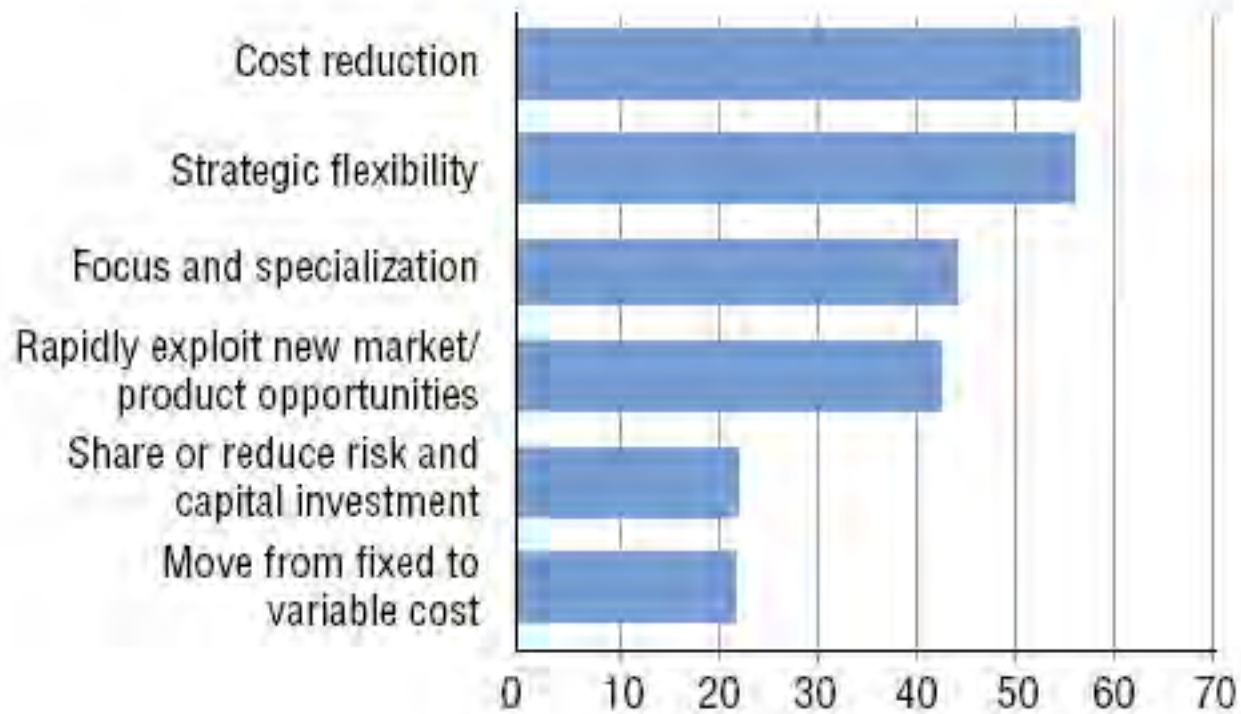
Operating Margin Growth in Excess of Competitive Peers

compound annual growth rate over five years



Benefits Cited by Business Model Innovators

percent of respondents



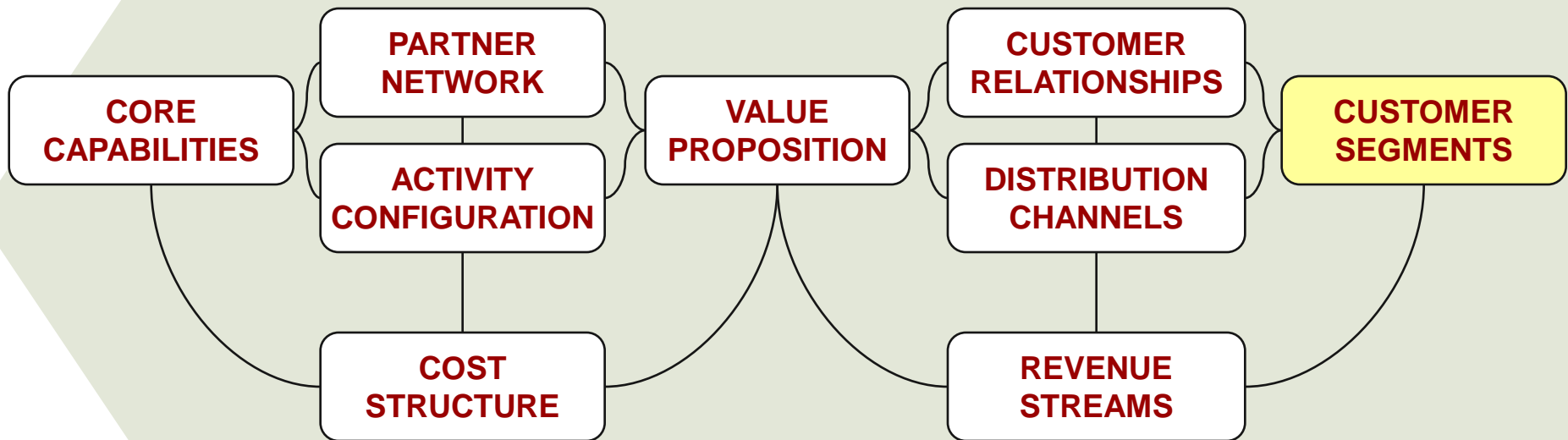
the process of
designing innovative
business models

the focus of the
business model
innovator & designer



user-centered





Nokia: Jan Chipchase





creativity & exploration

Googleplex

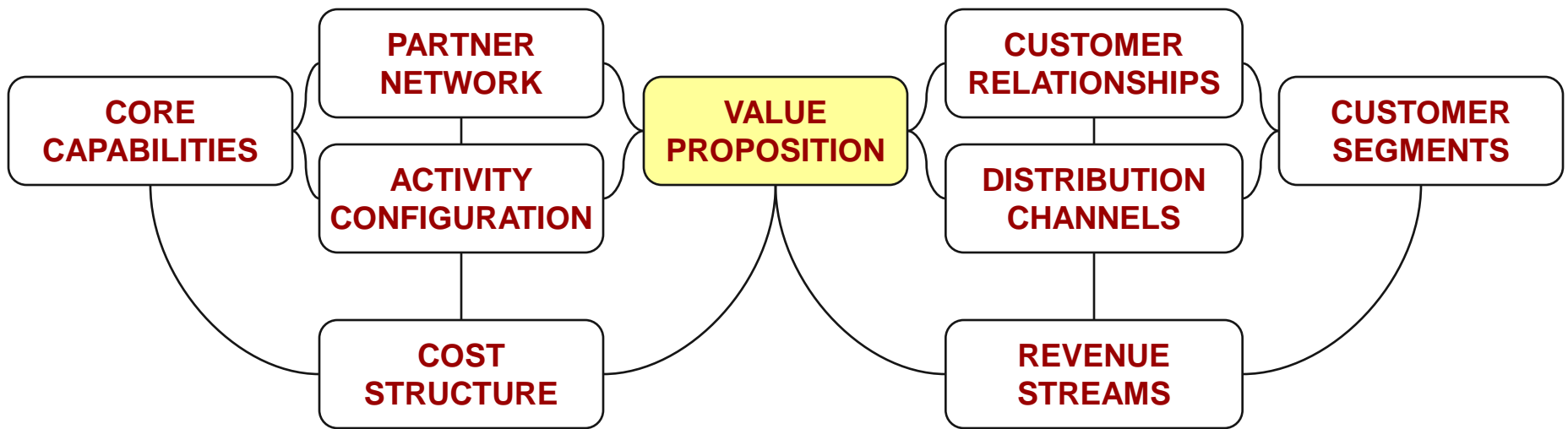


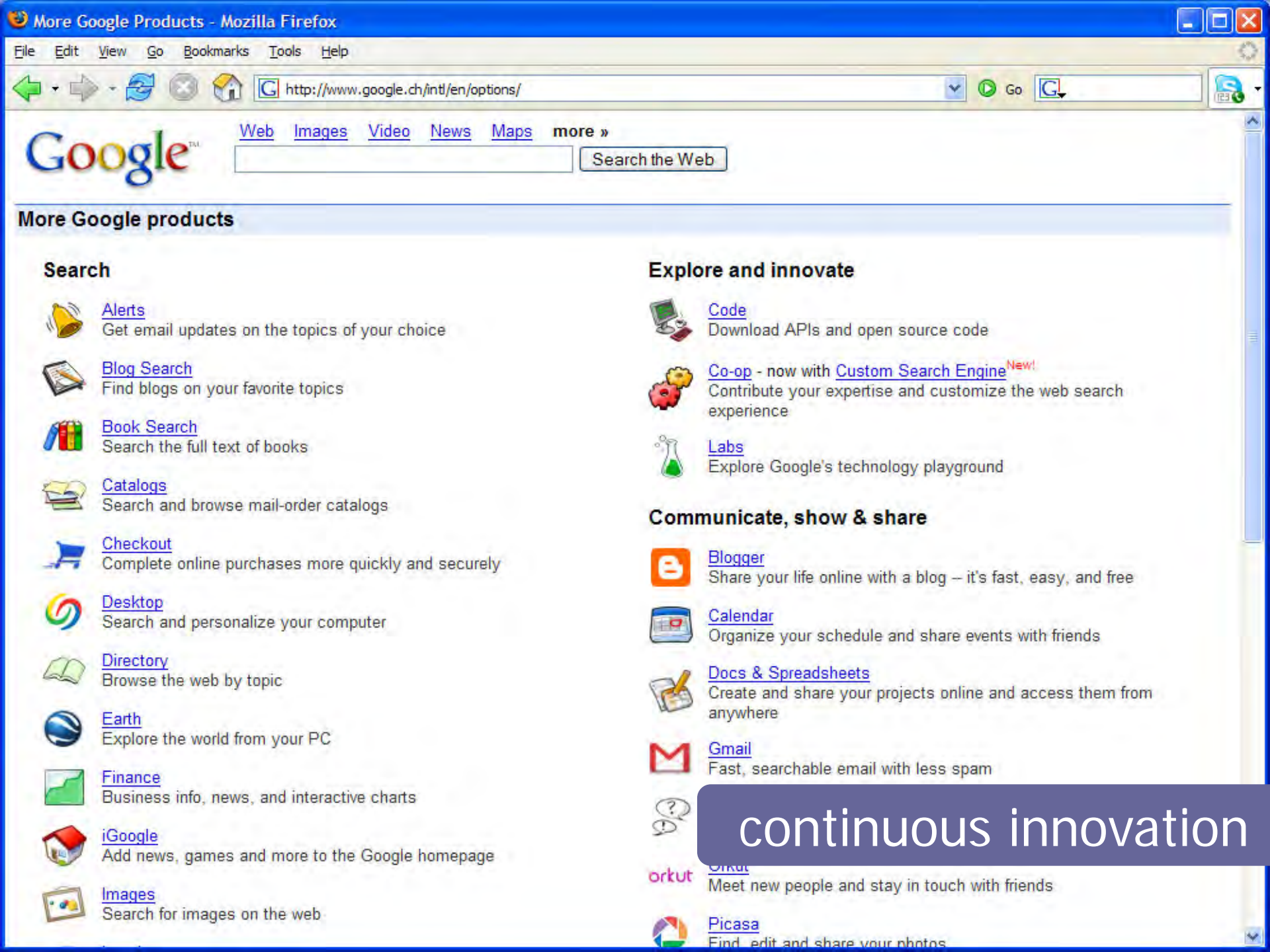
70:20:10



API







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More Google products

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- [Earth](#)
Explore the world from your PC
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Add news, games and more to the Google homepage
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Search for images on the web

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Contribute your expertise and customize the web search experience
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Meet new people and stay in touch with friends
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Find, edit and share your photos

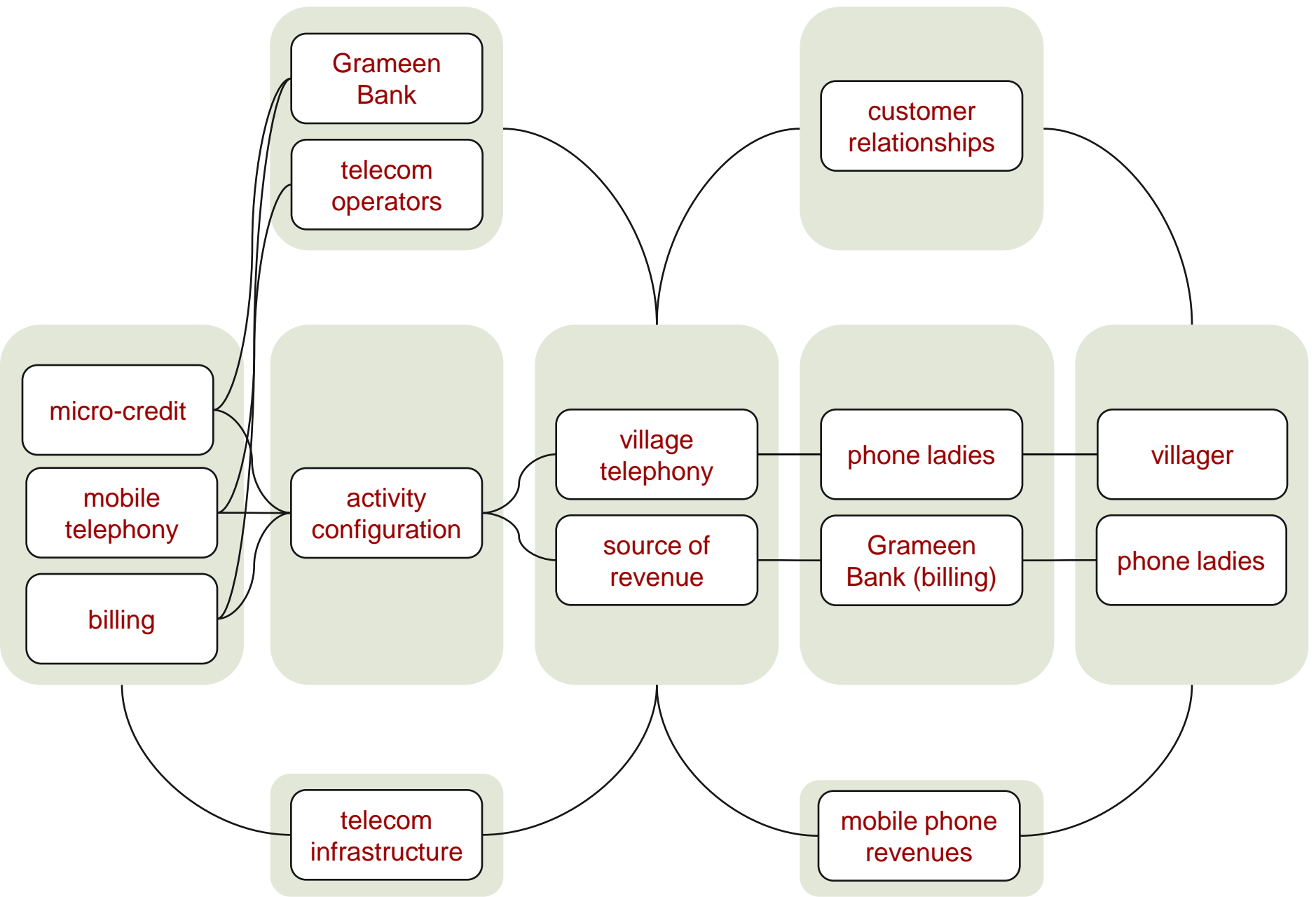
continuous innovation

A large, textured, white, dome-shaped object, possibly a piece of foam or a large scallop, sits on a dark, textured surface. In the foreground, two scallops are arranged, and a green sauce is drizzled in a decorative pattern. The background is a dark, teal gradient.

interdisciplinary approach



Grameen Phone Bangladesh

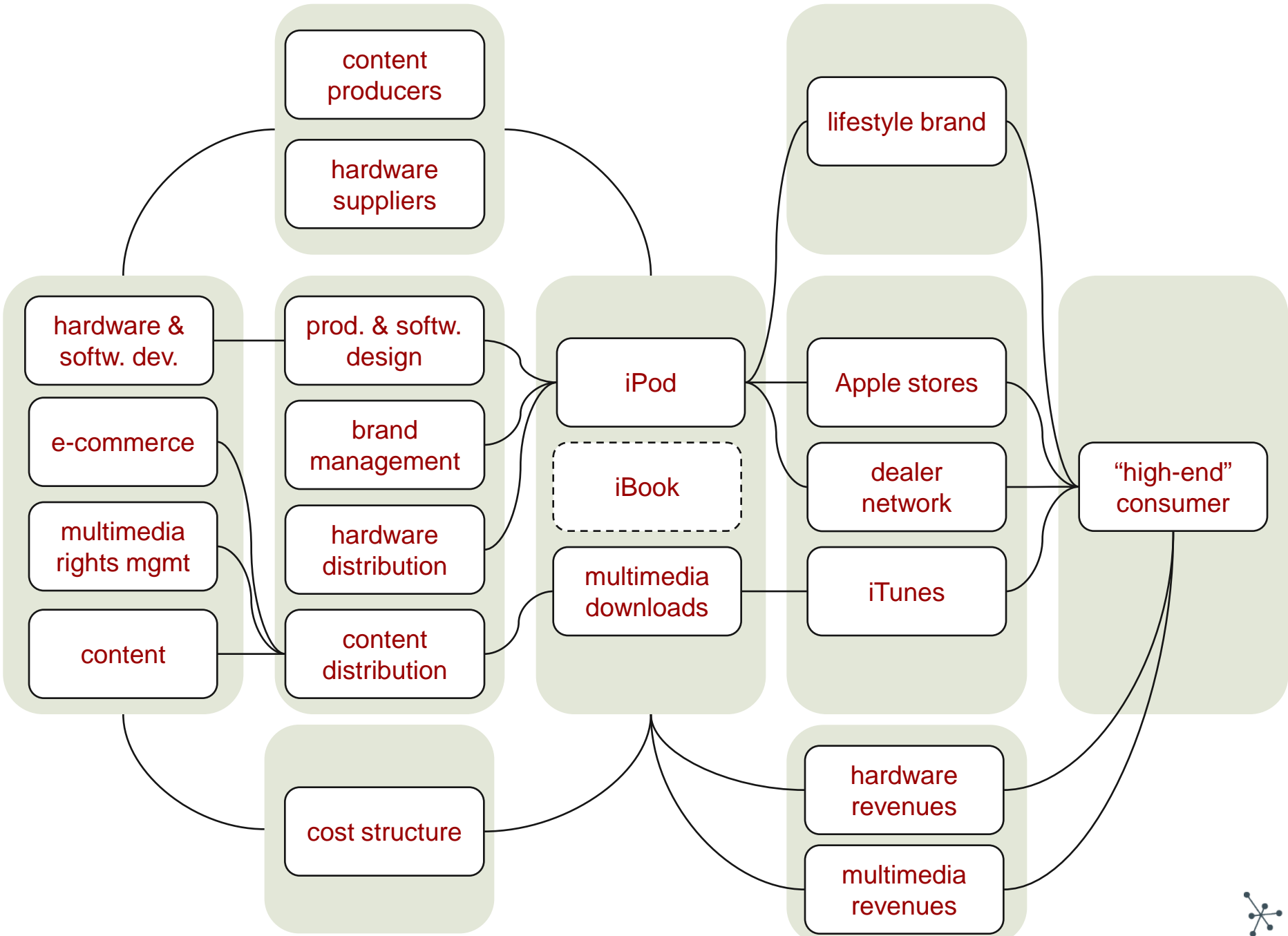




holistic design

Apple iTunes & iPod







strategic fit

Hello. Sign in to get personalized recommendations. New customer? Start here.

Browse

Books, Music & Movies

- Books
- DVD & VHS
- Magazines & Newspapers
- Music
- Textbooks
- Unbox Video Downloads

Clothing & Accessories

- Apparel & Accessories
- Jewelry & Watches
- Shoes

Computer & Office

- Computers & Add-Ons
- Office Products
- Software

Consumer Electronics

- Audio & Video
- Camera & Photo
- Cell Phones & Service
- Musical Instruments
- Video Games
- All Consumer Electronics

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- Gourmet Food
- Grocery
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Shopping from Germany?



Besuchen Sie amazon.de

Jetzt einkaufen

Rewards You'll Love

Get Your Amazon.com Visa Card Instantly and Get \$30 Back!



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Amazon Daily BLOG

Latest post: Today at 6:18 PM

007's Beautiful Sidekick



Spotted in five James Bond movies including the latest, Casino Royale, the Omega Seamaster just might be the perfect men's watch. Grappling hook and detonator not included.

Mad for Madras



Shop men



Shop women



Shop accessories

the Amazon.com you know

ADVERTISEMENT

WEIGHT WATCHERS® MENU ITEMS FROM

NEW Italian Chicken & Portabella Sandwich



EATIN' RIGHT NEVER TASTED SO GOOD™

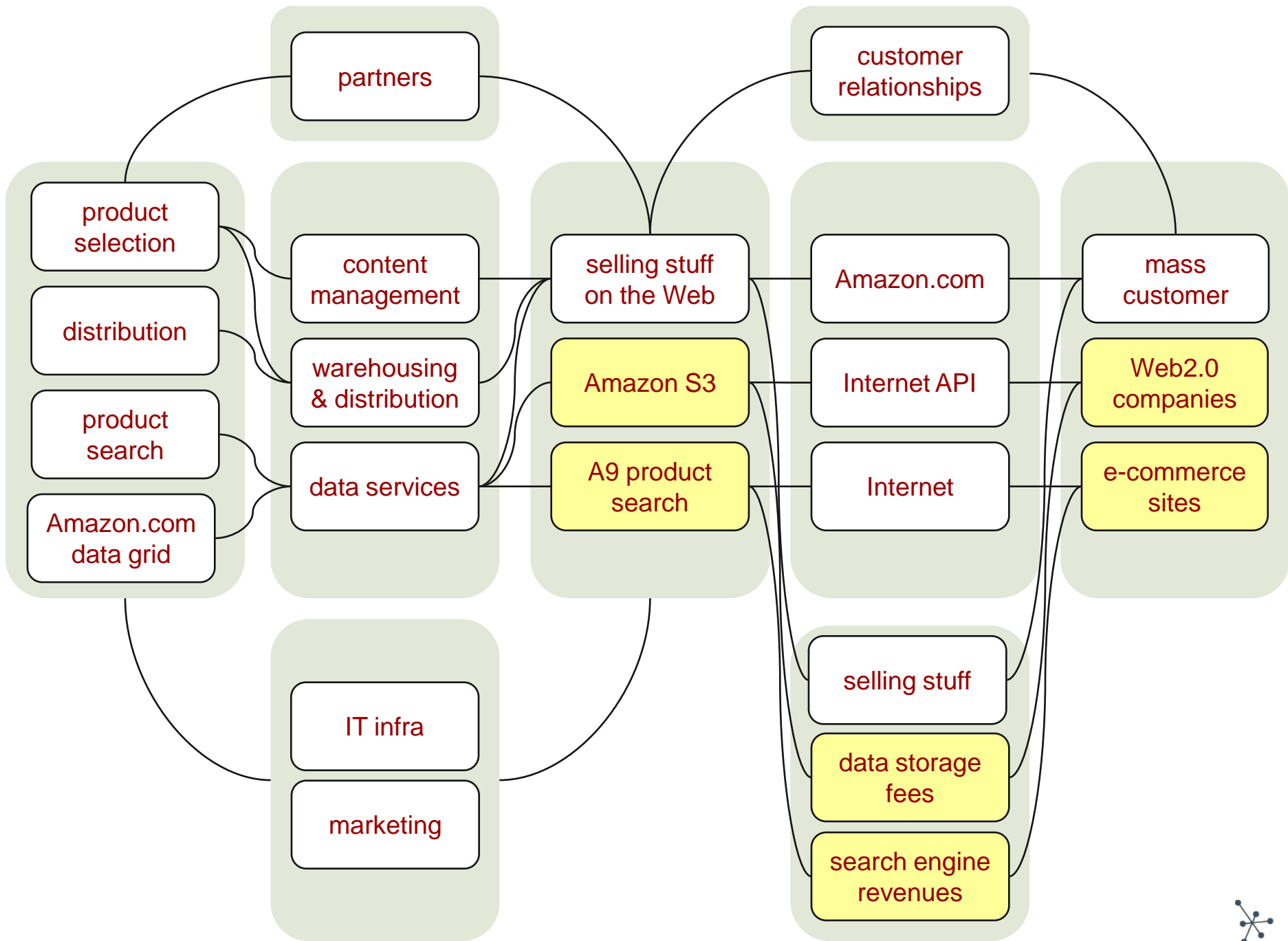


CLICK TO VIEW MENU





Amazon Simple Storage Services (S3)



back to
YOU INC.



PRADA

MARFA

PRADA

MARFA

PRADA

PRADA

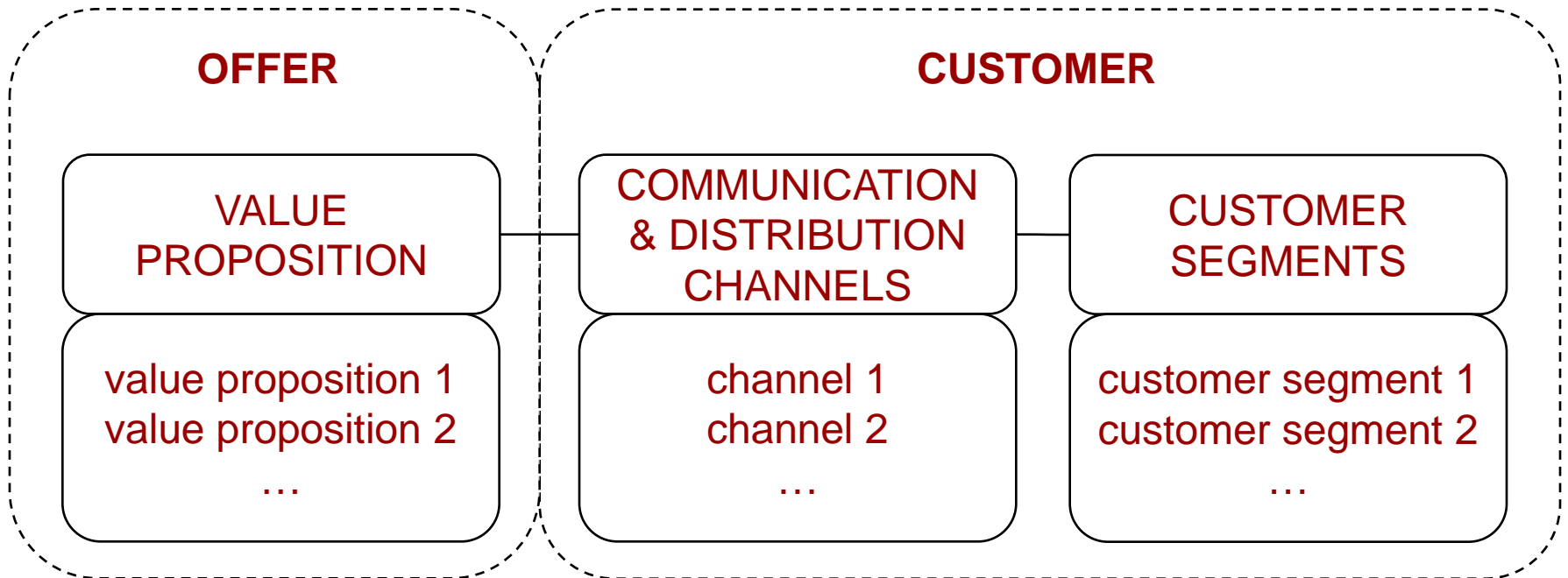
SEND IT HIGH
SWITCH IT FLY

the customer interface

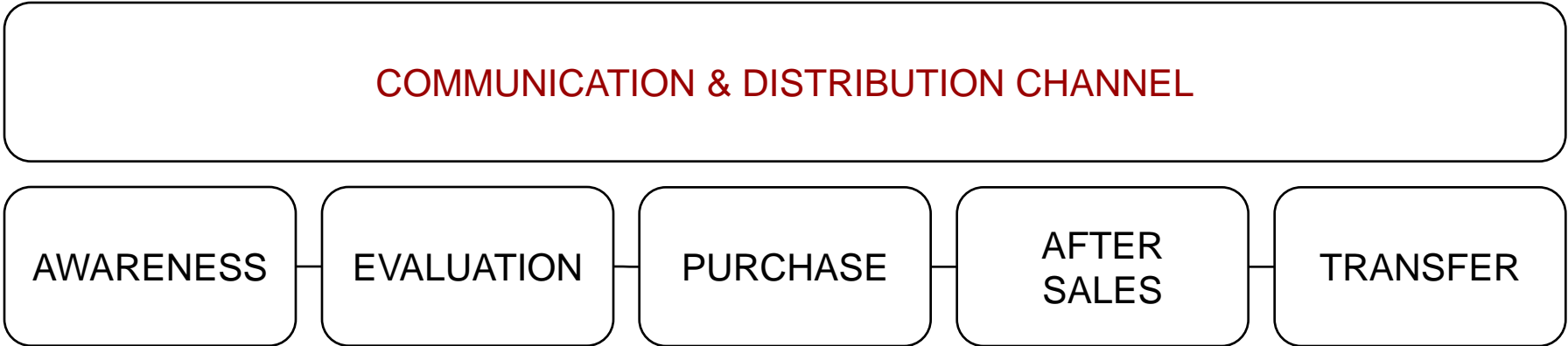


it better be integrated...

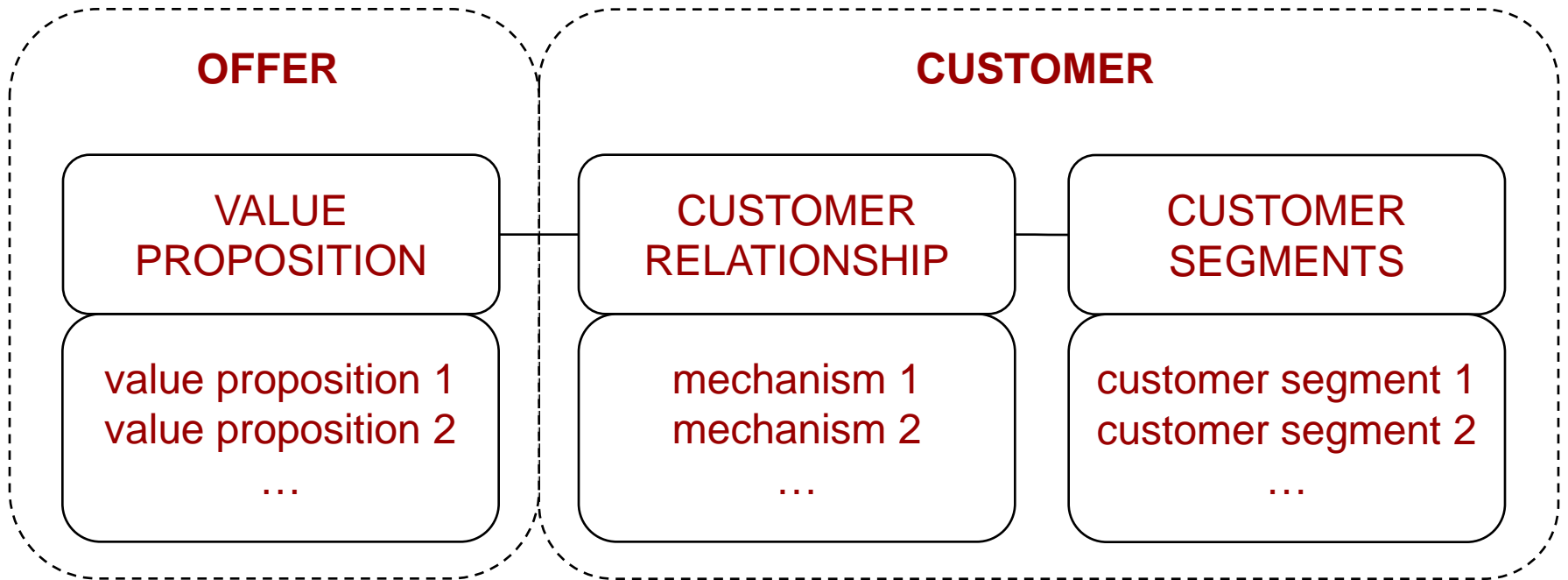
how do you reach your customers? (model)



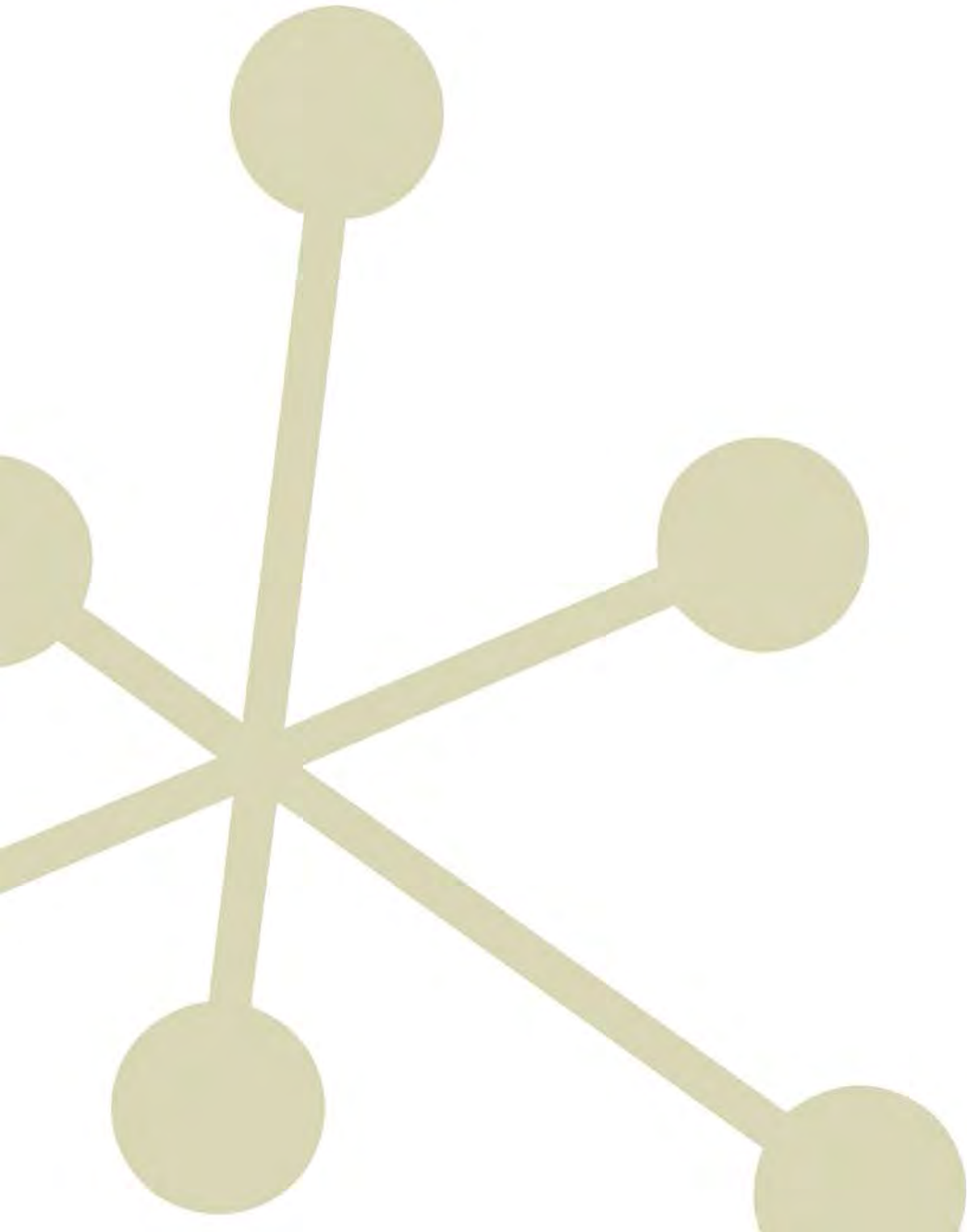
designing channels



how do you build relationships with your customers? (model)



END DAY 1
good work!



arvetica

The logo for Arvetica, consisting of a small icon of a network node with five connections and the word "arvetica" in a dark blue, lowercase, sans-serif font.

DAY 2

summary of yesterday

- we're applying the business model concept
- many good ideas developed
- enthusiasm for projects
- productivity quite good (but no Swiss watches)
- room to improve visualization
- lack of « crazy » ideas



hard work continues





1. identify interdisciplinary stakeholders
-> set-up team

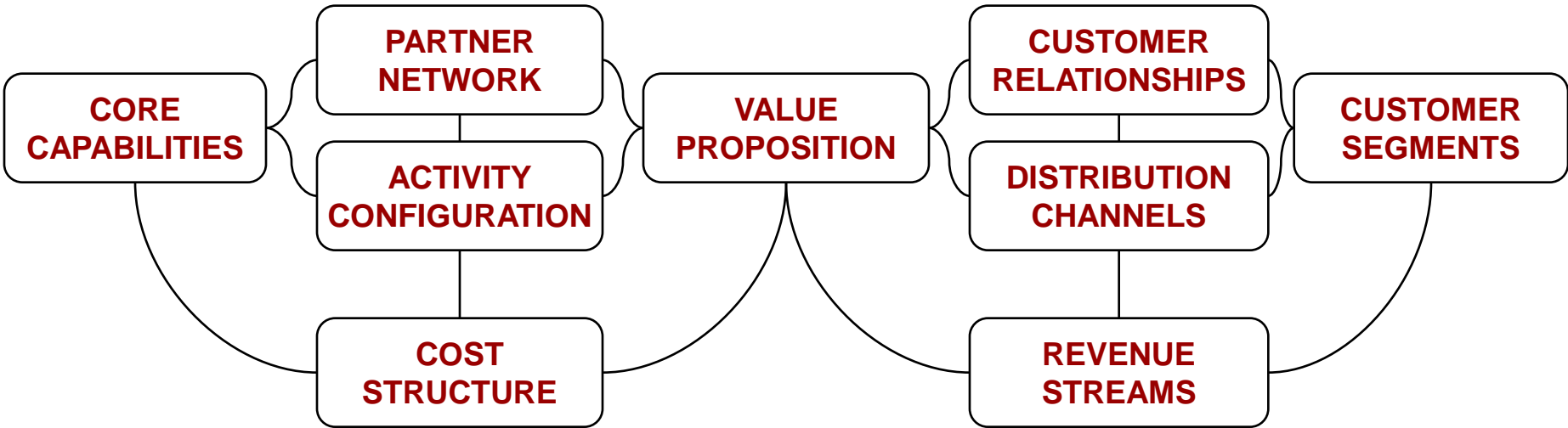
do you have to get the IT team out of their cubicles?





2. understand (business) environment
-> frame problem

various starting points / depending on context

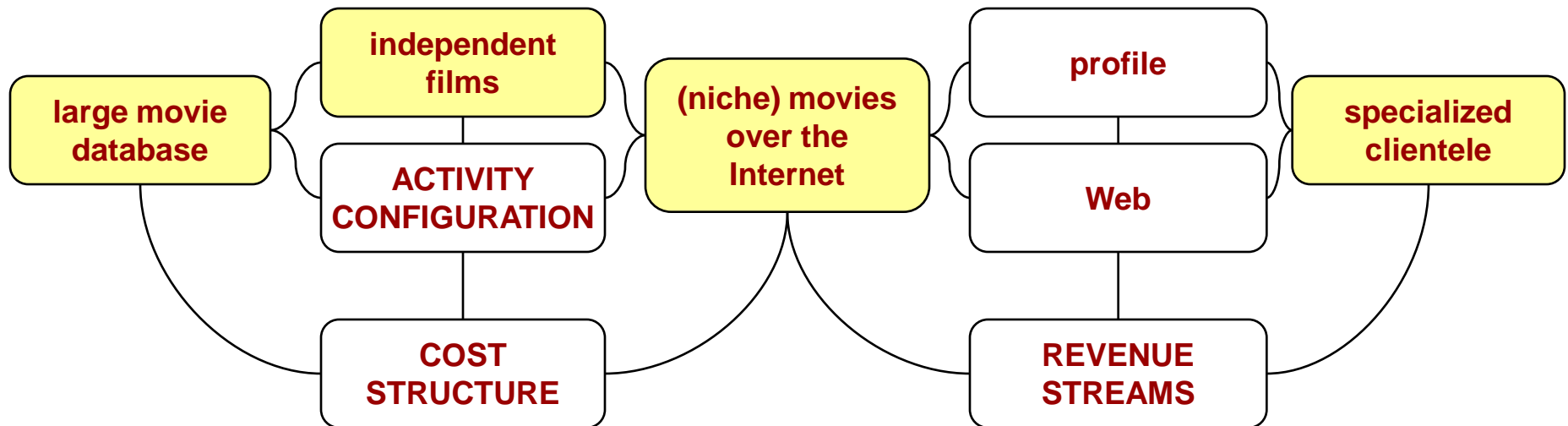




3. suspend reality
-> ideate



4. bring back reality
-> prototype

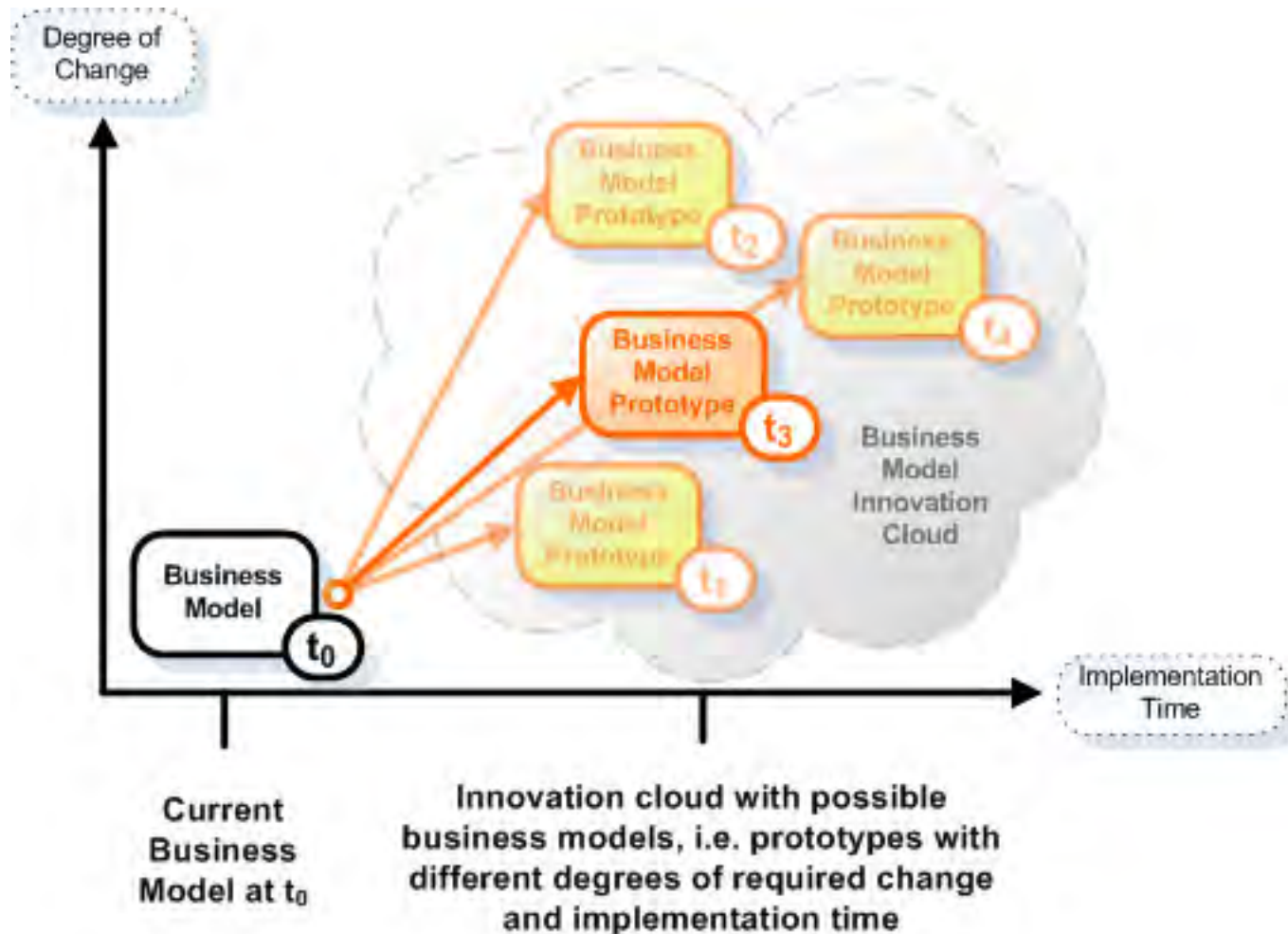


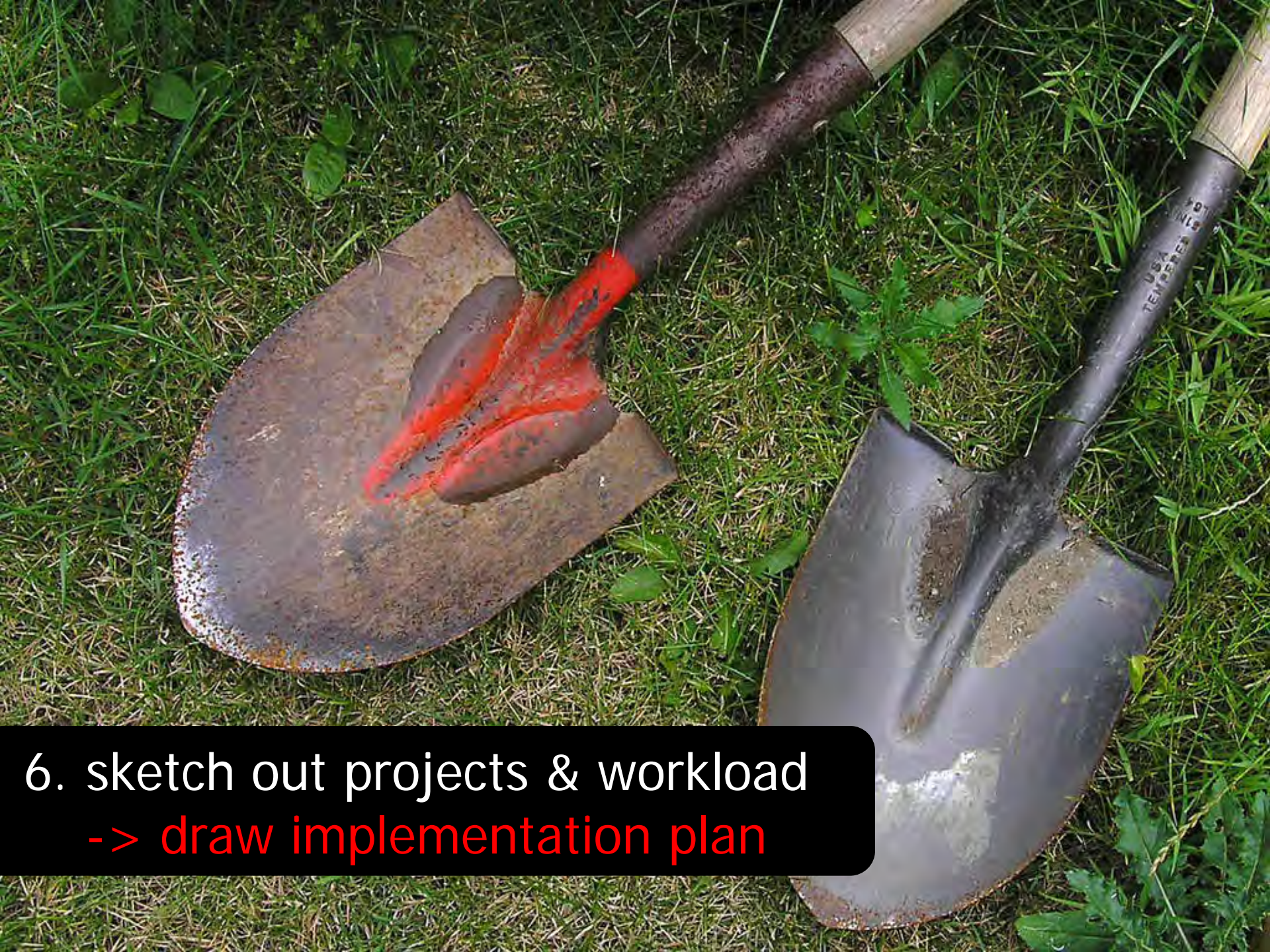
online movie rental (with large niche movie database)



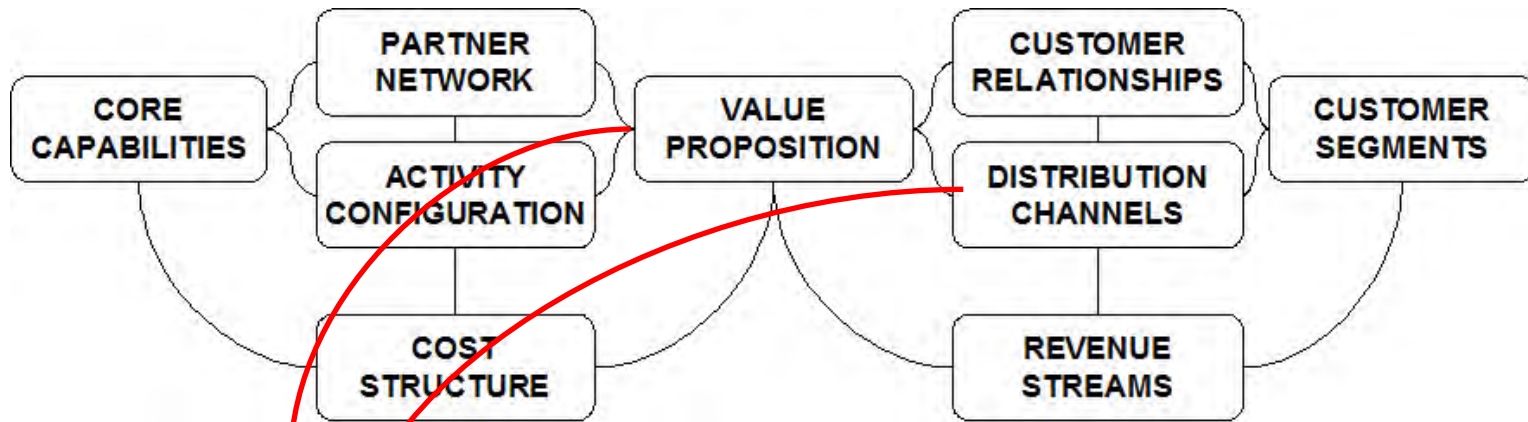
5. chose suitable design

-> decide





6. sketch out projects & workload
-> draw implementation plan



Area	Project name	Estimated workload
Value Proposition	Project V1	10 man/days
	Project V2	120 man/days
Distribution Channels	Project C1	38 man/days
...		





7. outline key indicators to follow

-> choose measures

Area	Project name	Estimated workload	KPI (measure)	Target level
Value Proposition	Project V1	10 man/days		
	Project V2	120 man/days		
Distribution Channels	Project C1	38 man/days		
...				



A person wearing a dark suit jacket, a light-colored shirt, and a striped tie is standing in front of a bright window. The person's hands are in their pockets. The background is a bright, out-of-focus window with a warm, orange glow.

8. select the right teams and people
-> make responsible

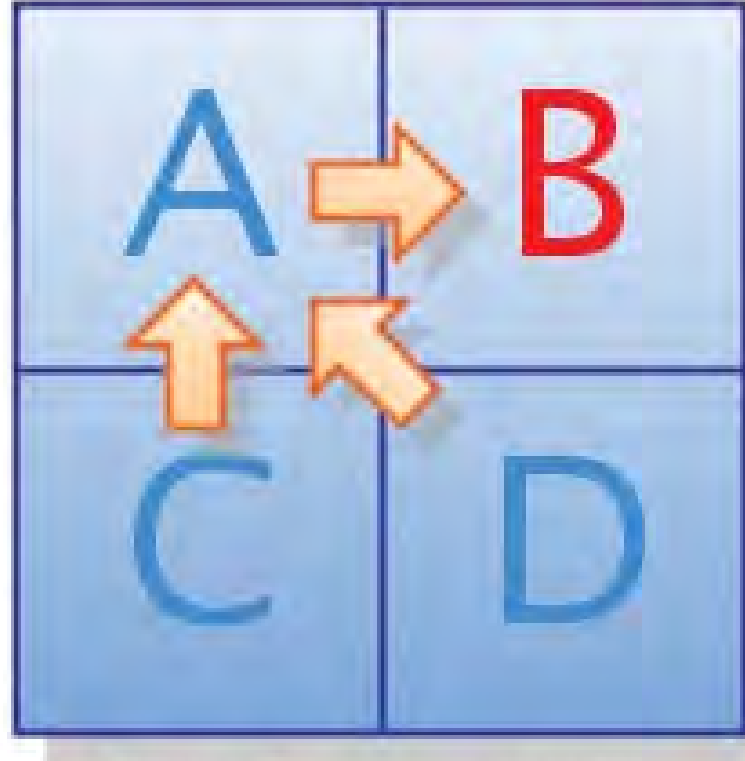
Area	Project name	Estimated workload	KPI (measure)	Target level	leader
Value Proposition	Project V1	10 man/days			Mr. Jan
	Project V2	120 man/days			Ms. Tee
Distribution Channels	Project C1	38 man/days			
...					



BUSINESS MODEL DESIGN

sound

flawed



9. execute the plan

-> manage implementation & change



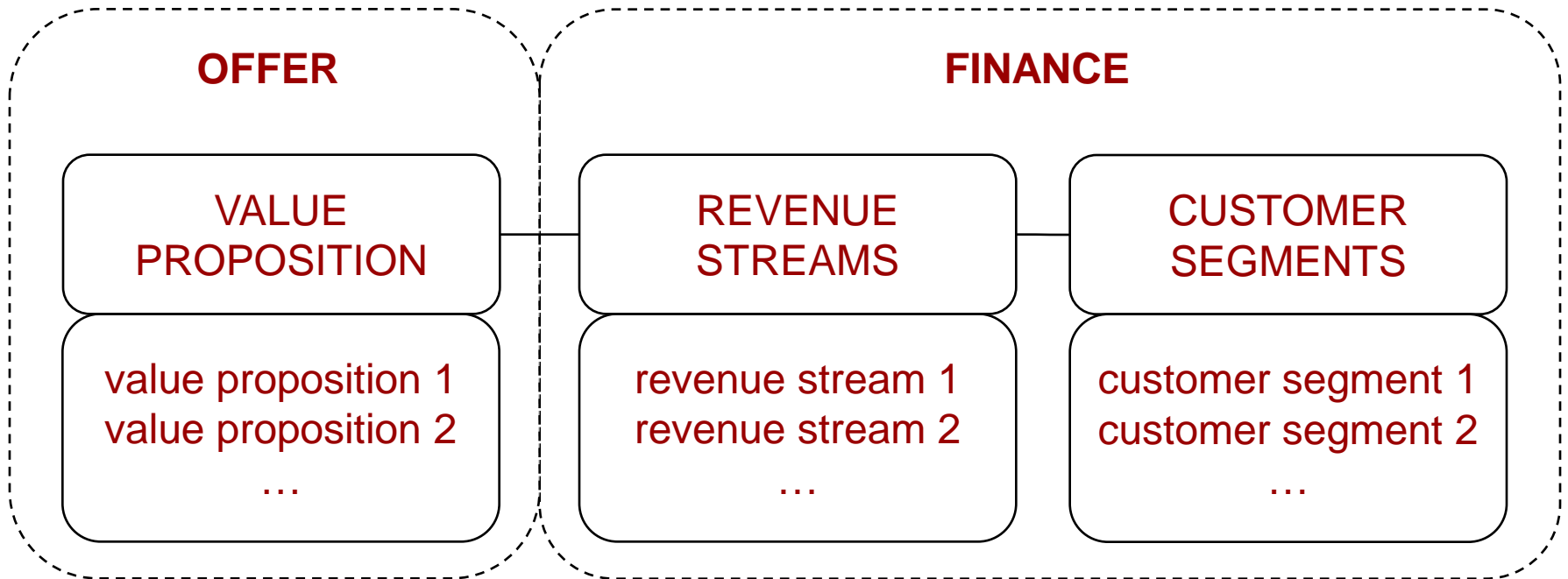


10. evaluate, learn and redesign
-> manage improvement

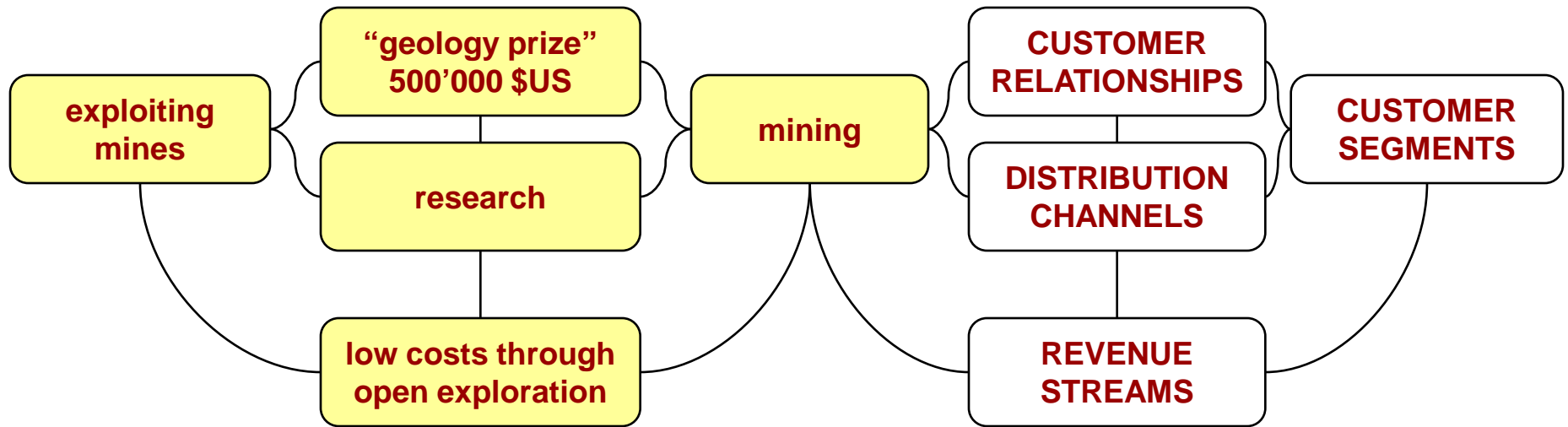
break-out session



how do you earn your money with this business model? (model)



business model examples



Goldcorp publicly shared all of its geological data and offered US\$ 500’000 in prizes for determining where they might find the next 6 million ounces of gold



HENRY CHESBROUGH

NAMED A "TOP 50 INNOVATOR" BY *SCIENTIFIC AMERICAN*

OPEN

Business Models

How to Thrive in the
New Innovation
Landscape

HARVARD BUSINESS SCHOOL PRESS

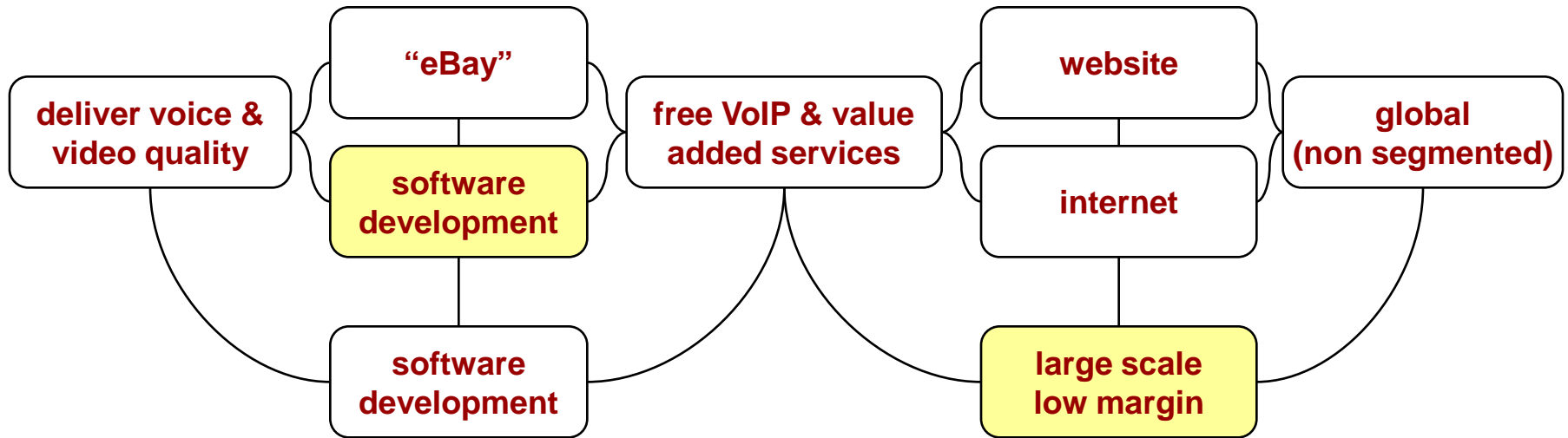


from copyright to creative commons

 **creative
commons**



Skype

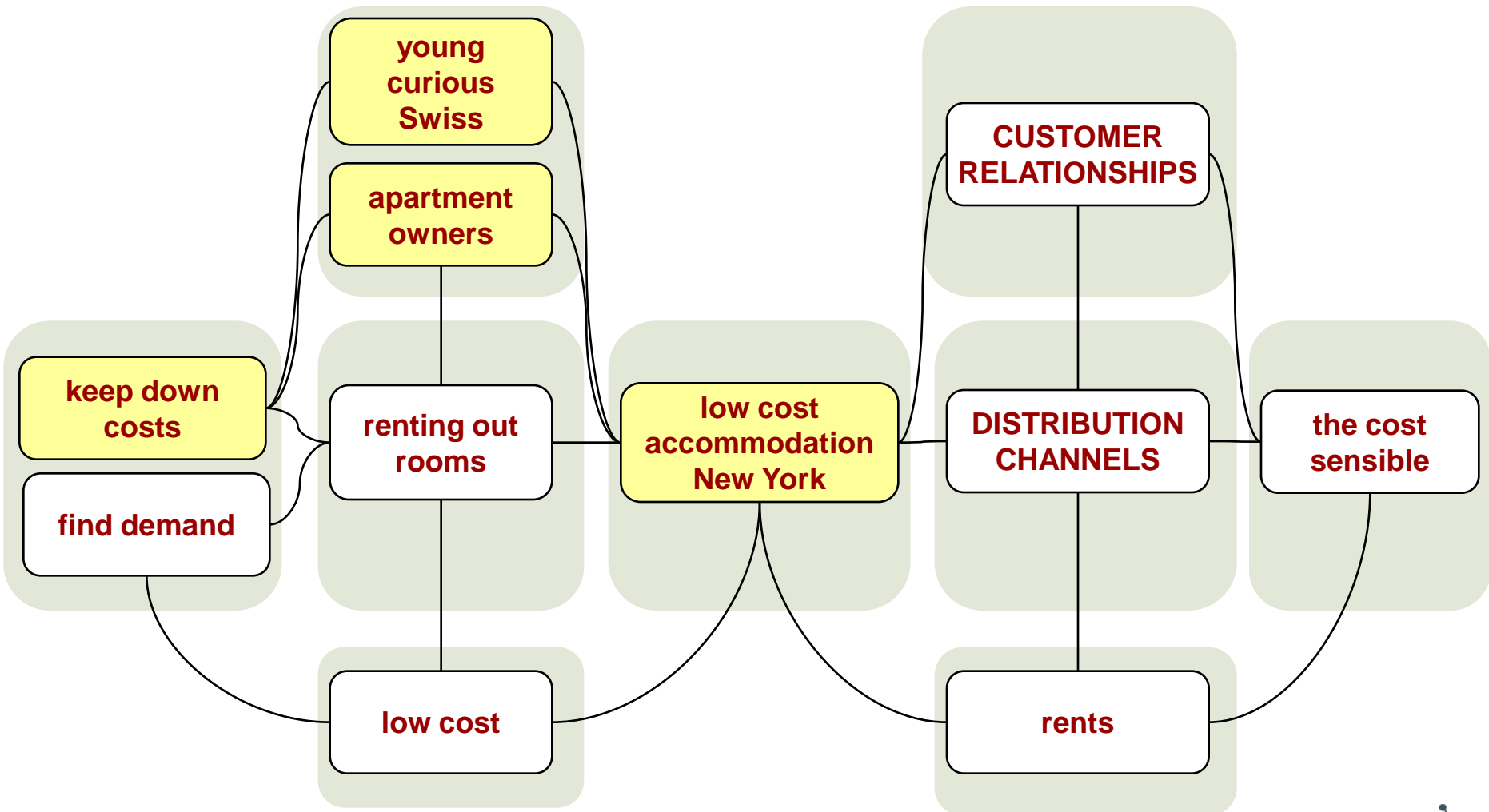


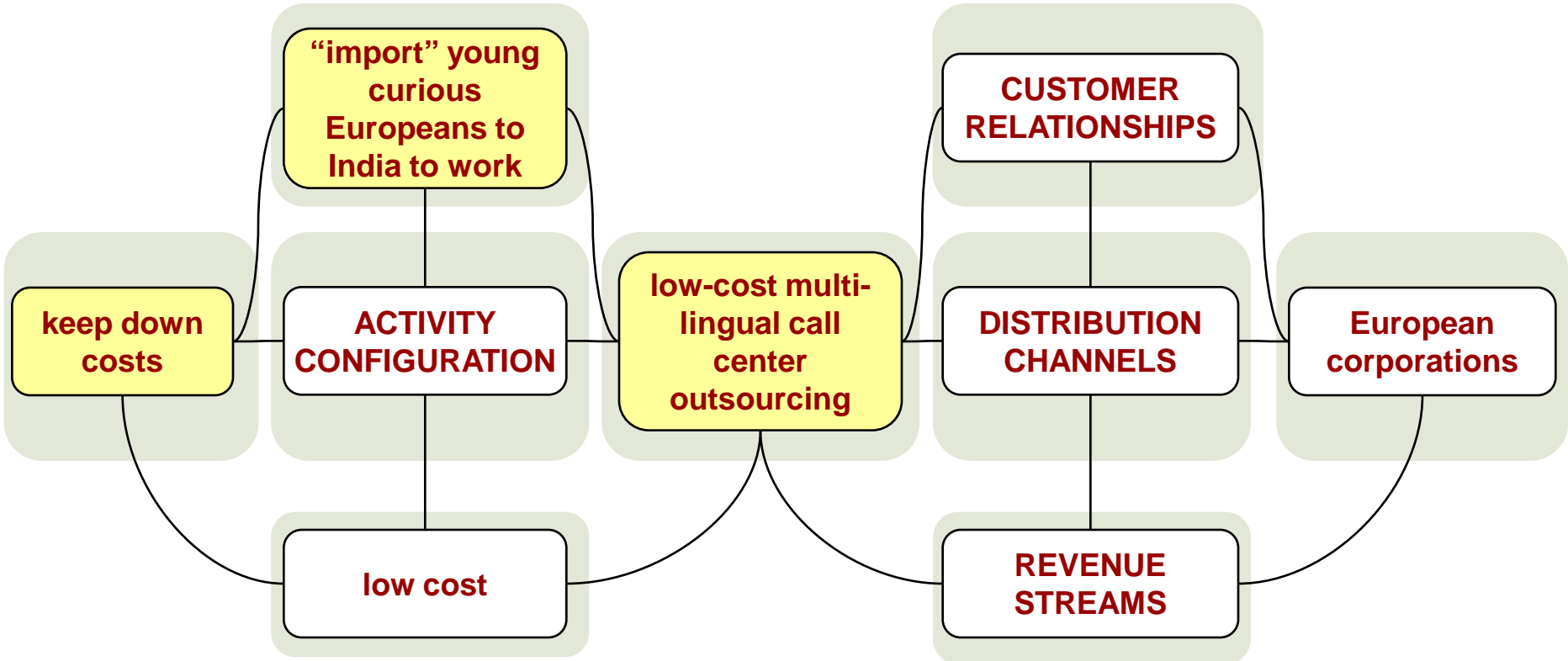
free voice-over-IP VoIP telephony
& value-added services



1291 Cityhomes

low-cost hotel/rental in New York City

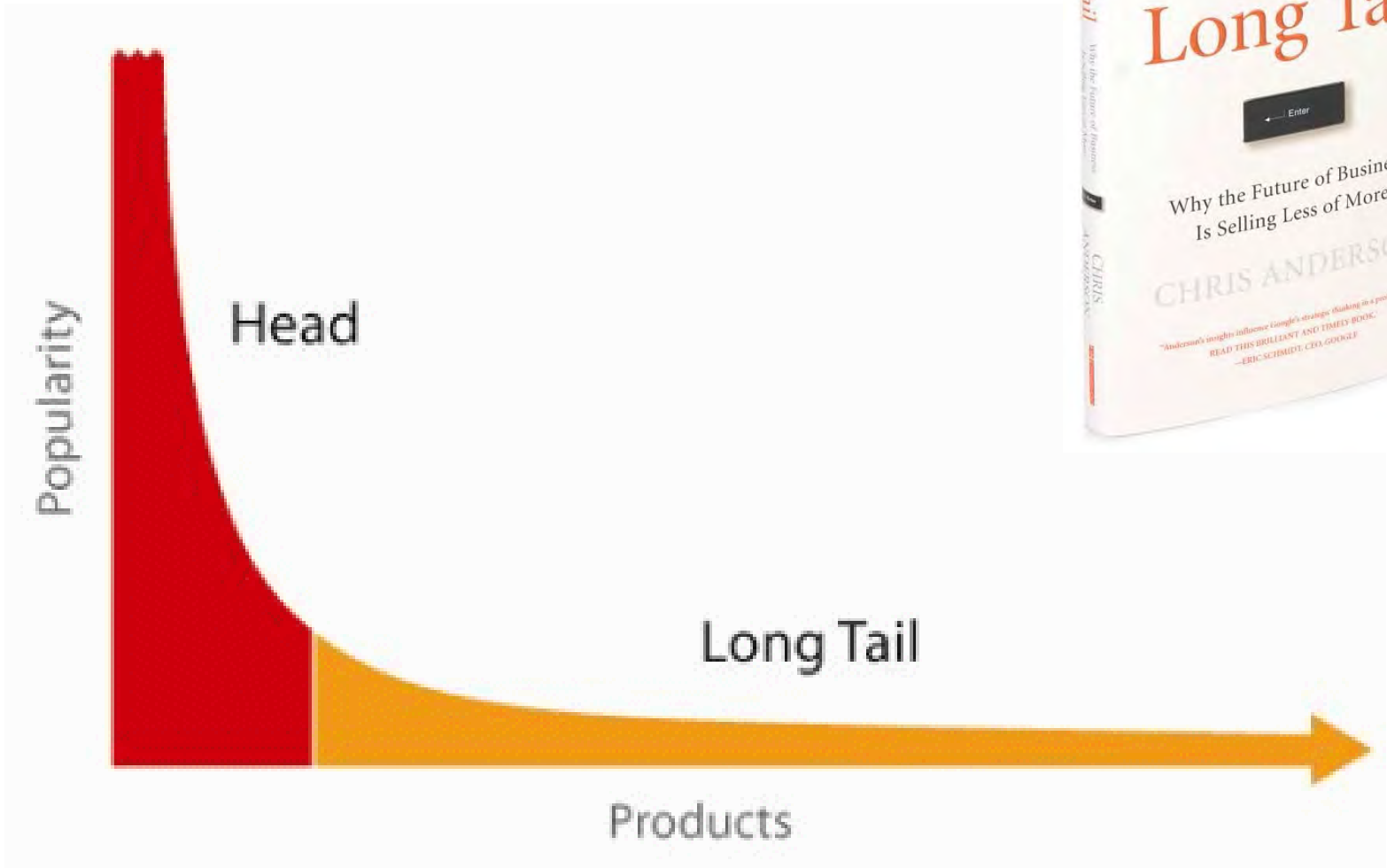
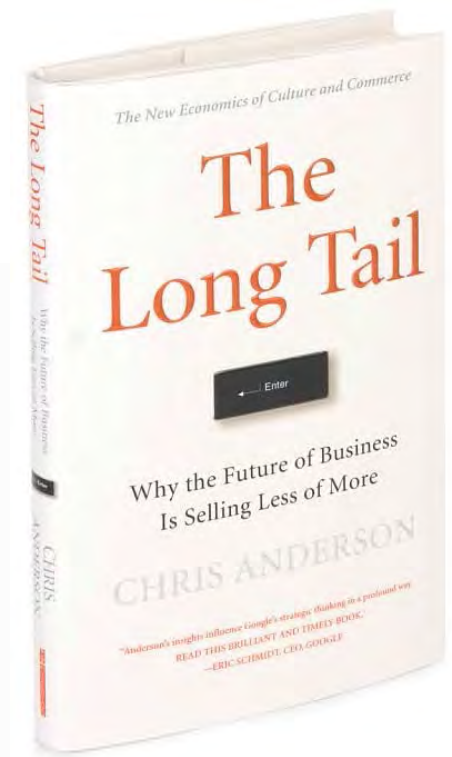


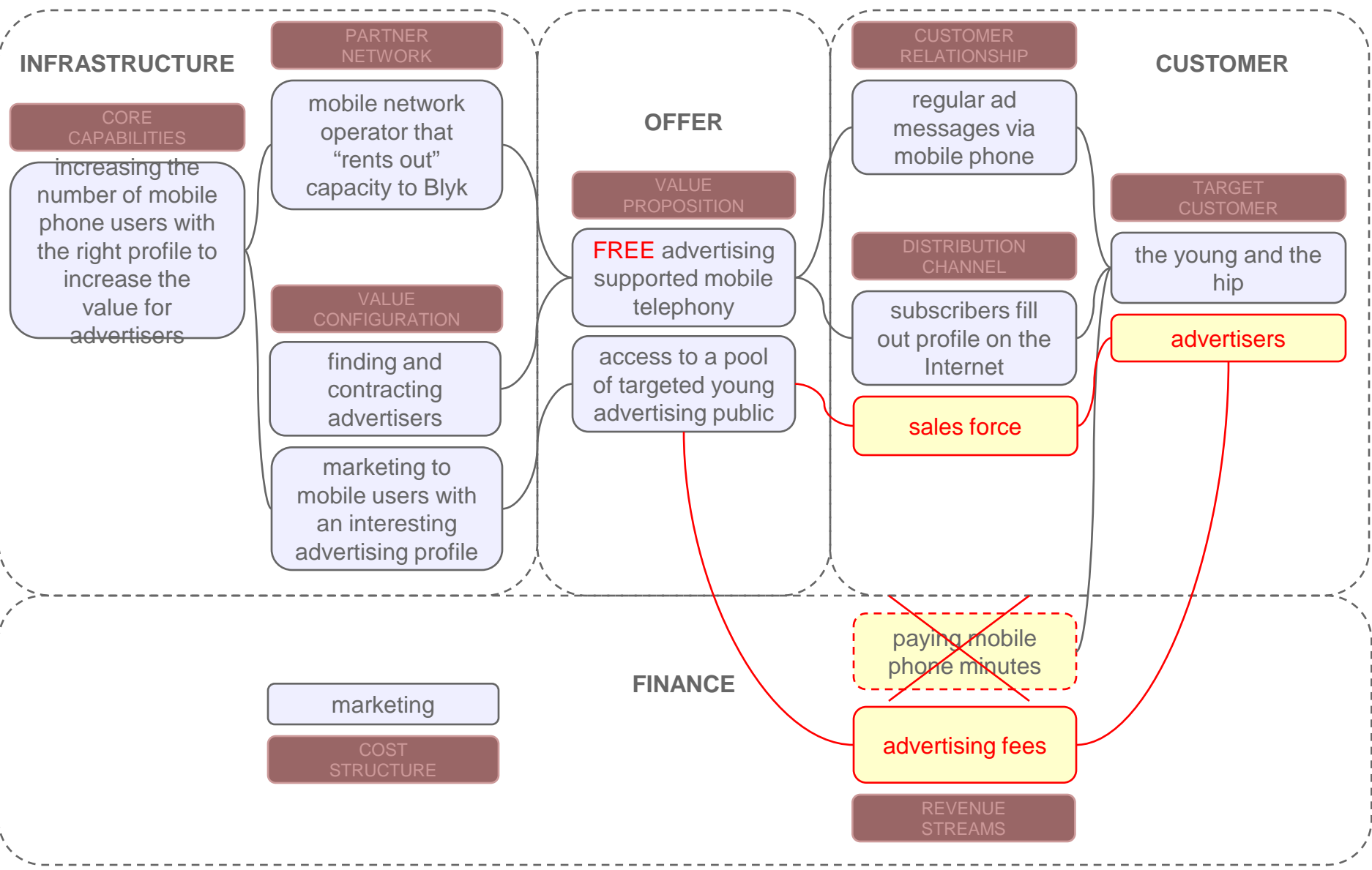


business process outsourcing “up-side down” in India



from bloated head to the long tail





blue oceans

designing blue oceans





- > market boundaries are not given
- > they are reconstructed by the actions & beliefs of industry players

BLUE OCEAN STRATEGY

How to Create
Uncontested Market Space
and Make the Competition Irrelevant

W. Chan Kim · Renée Mauborgne

HARVARD BUSINESS SCHOOL PRESS

RED OCEAN

- compete in existing markets
- beat the competition
- explore existing demand
- make the value/cost trade-off
- align with differentiation OR low cost

BLUE OCEAN

- create uncontested markets
- make competition irrelevant
- create & capture new demand
- break value/cost trade-off
- align with differentiation AND low cost



differentiate your value proposition

SONY

working definition value proposition

- a customer value proposition gives an overall view of a company's bundle of products, services and client advice.
- it is the sum of the total benefits a customer is promised to receive in return for a payment (or other value transfer)



group warm-up

what are the 5 most important competitive attributes that characterize a game console's offer?

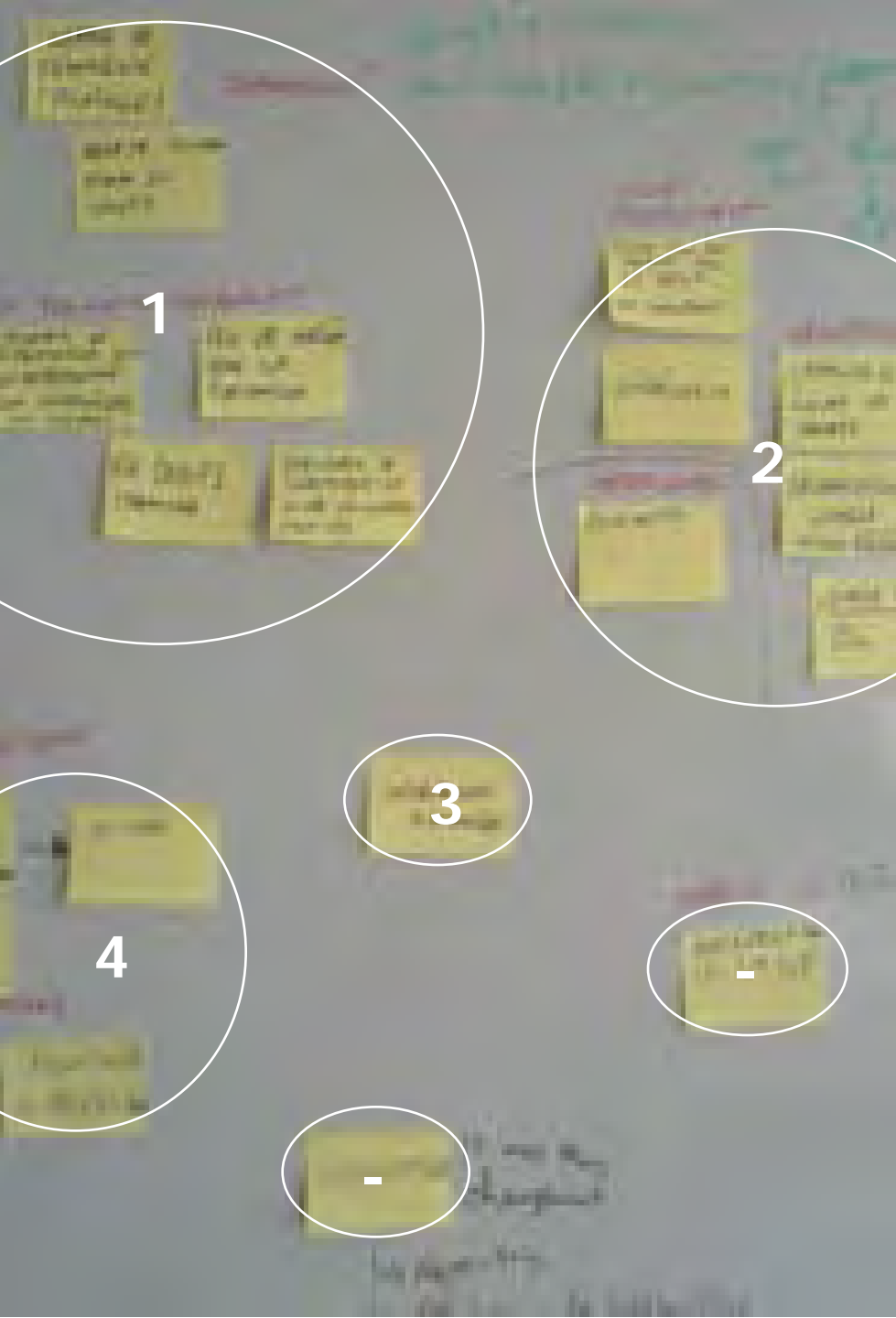
(e.g. price, performance, design)

attribute 2
e.g. price

attribute 1
e.g. performance



5 attributes



1. most important attribute
2. second most important
3. ...
4. ...



1. ...

2. ...

3. ...

4. ...

5. ...



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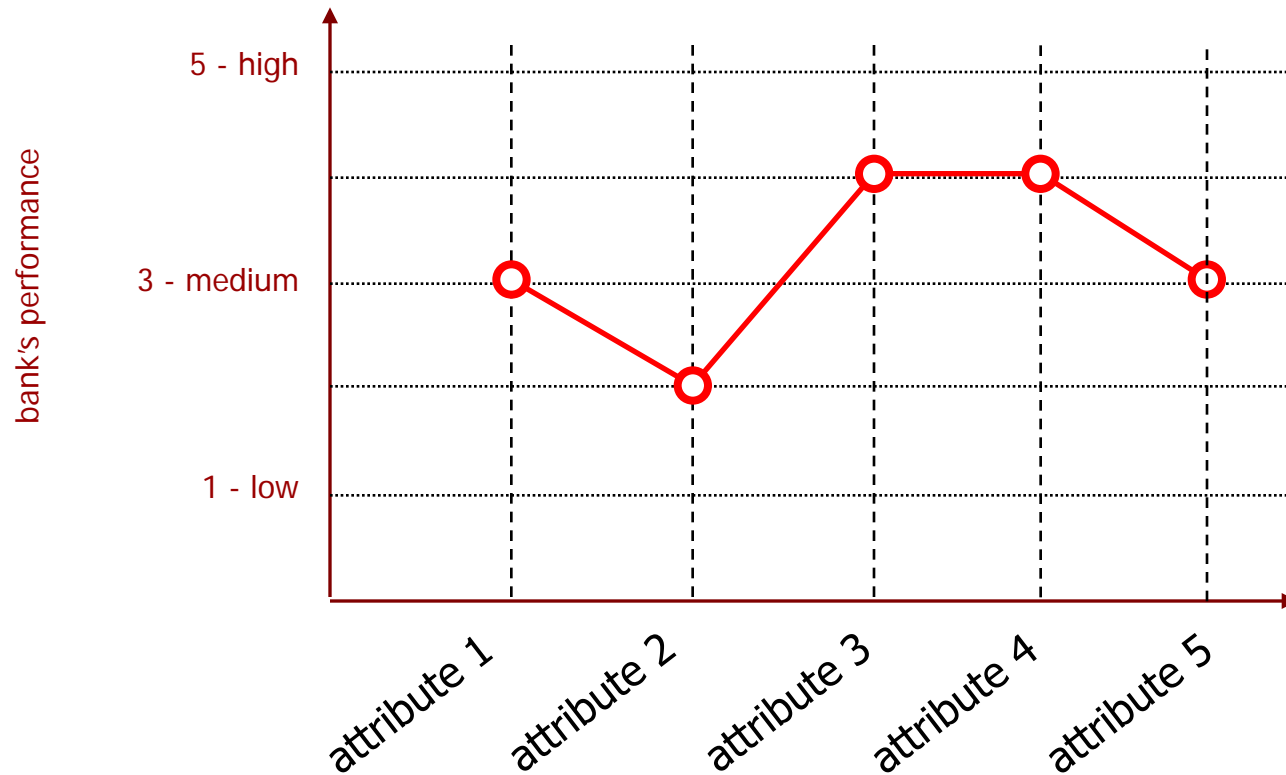
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draw a value proposition



Untitled spreadsheet

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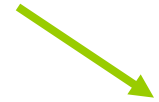
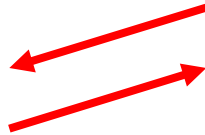
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live Excel

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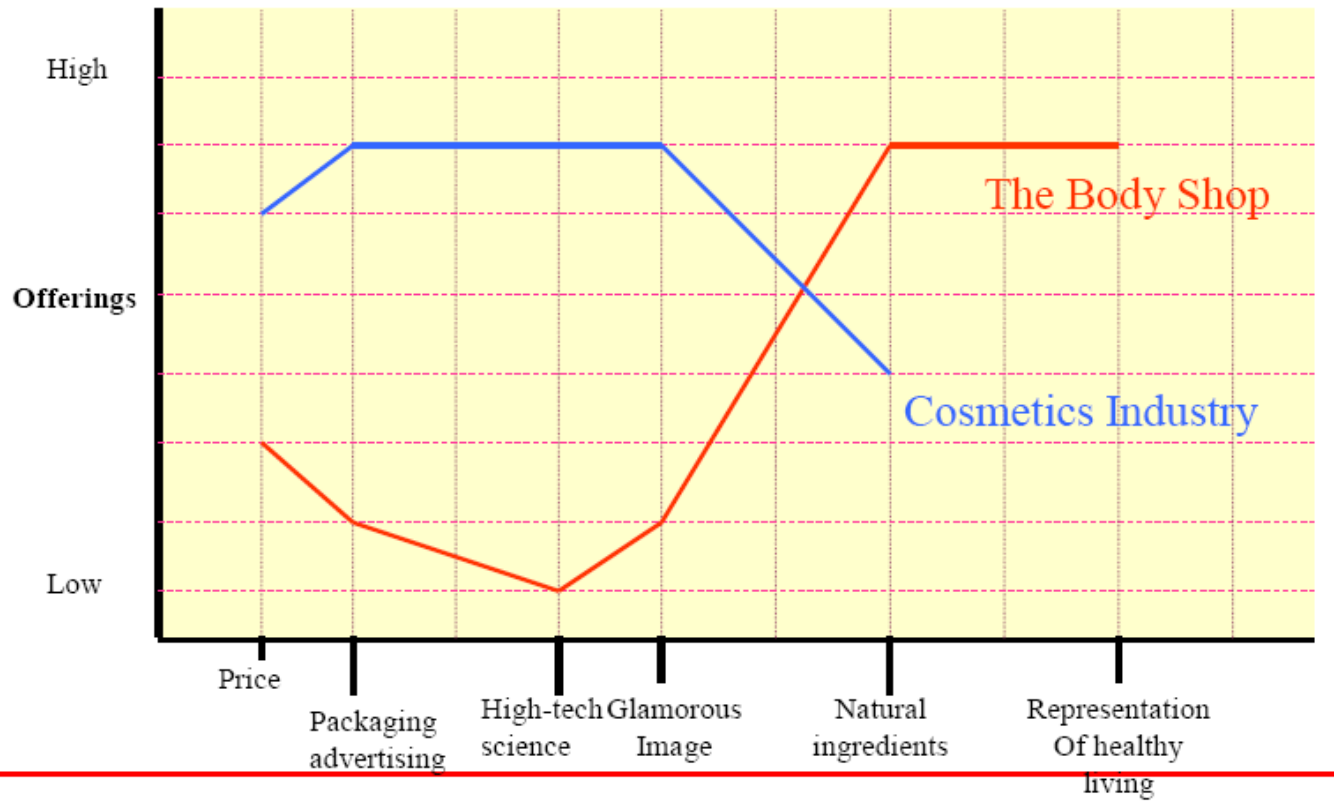
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raise

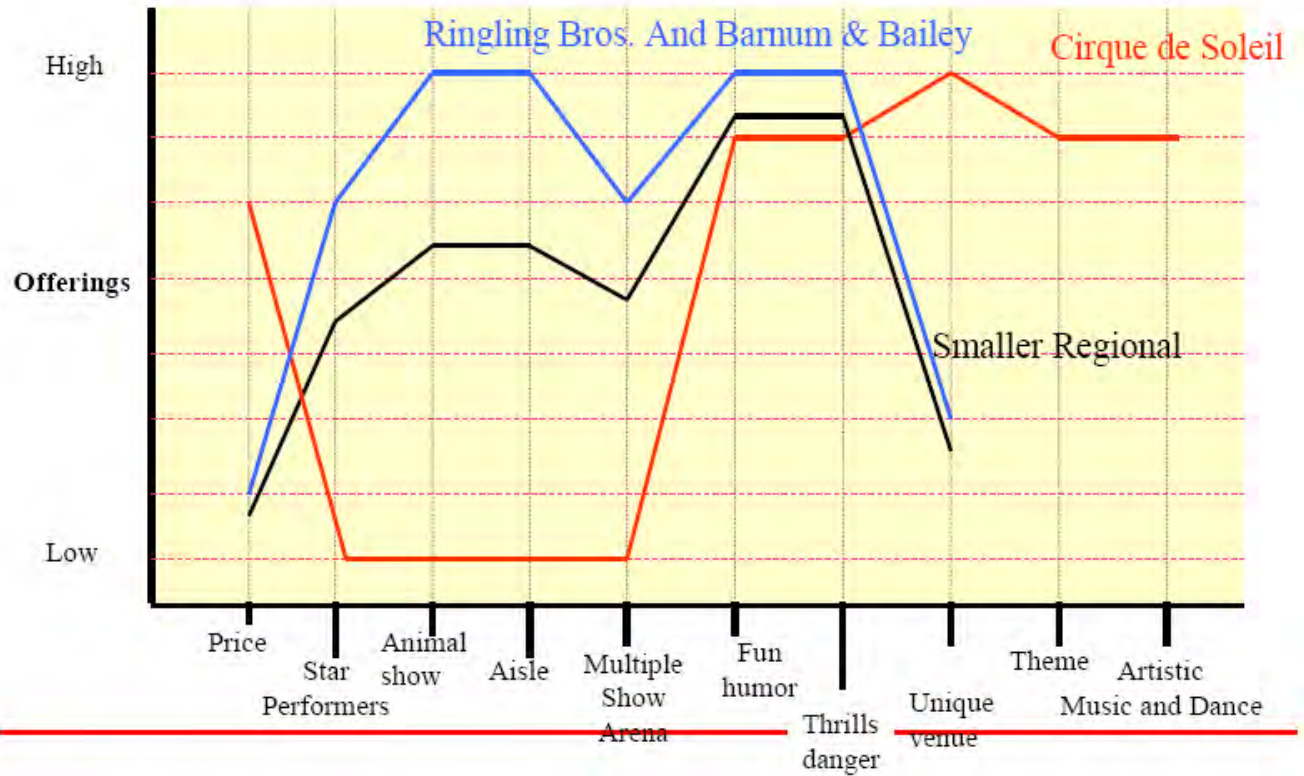
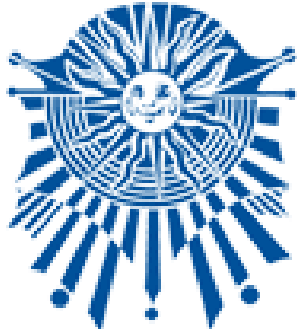
reduce

create





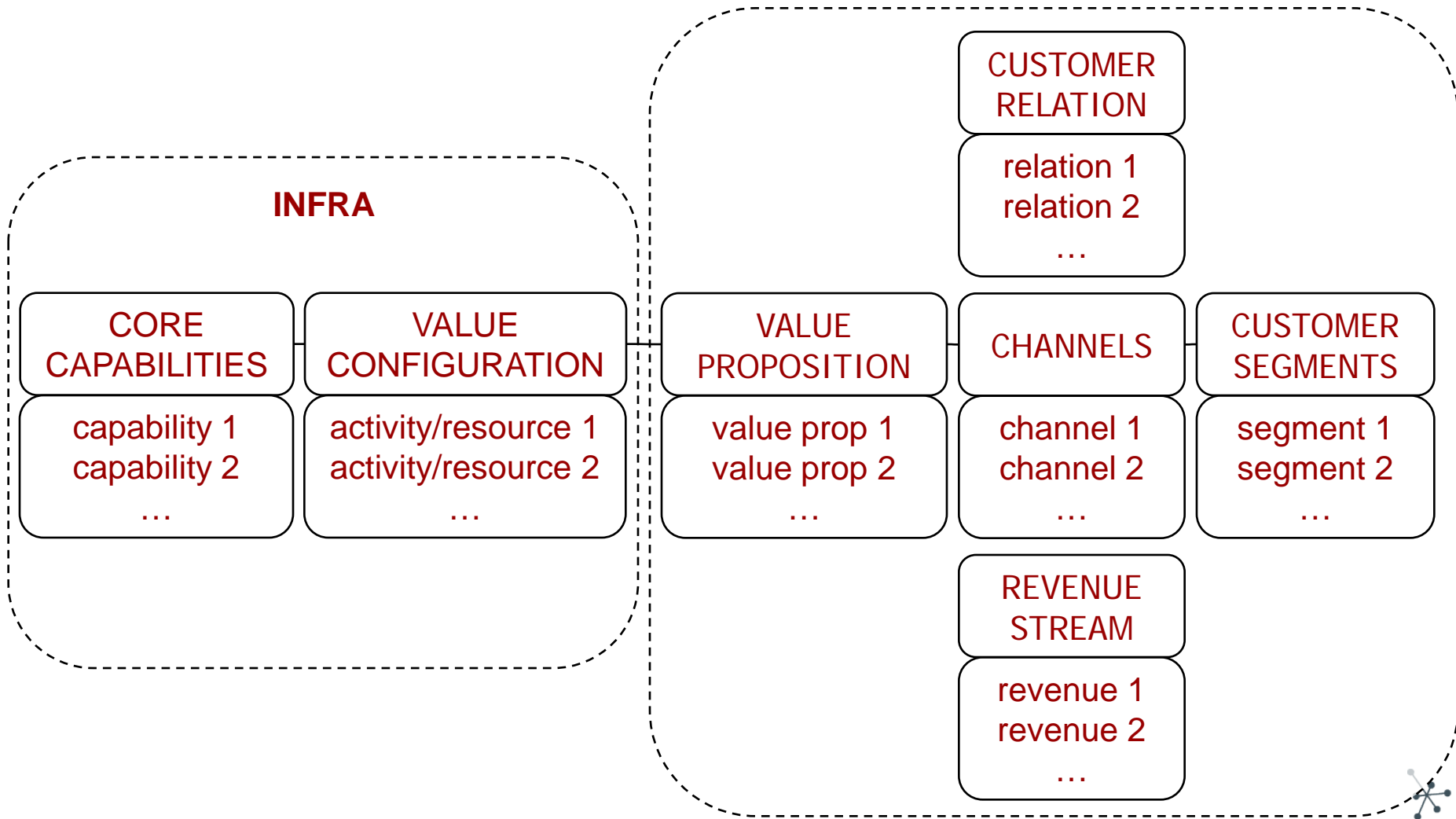
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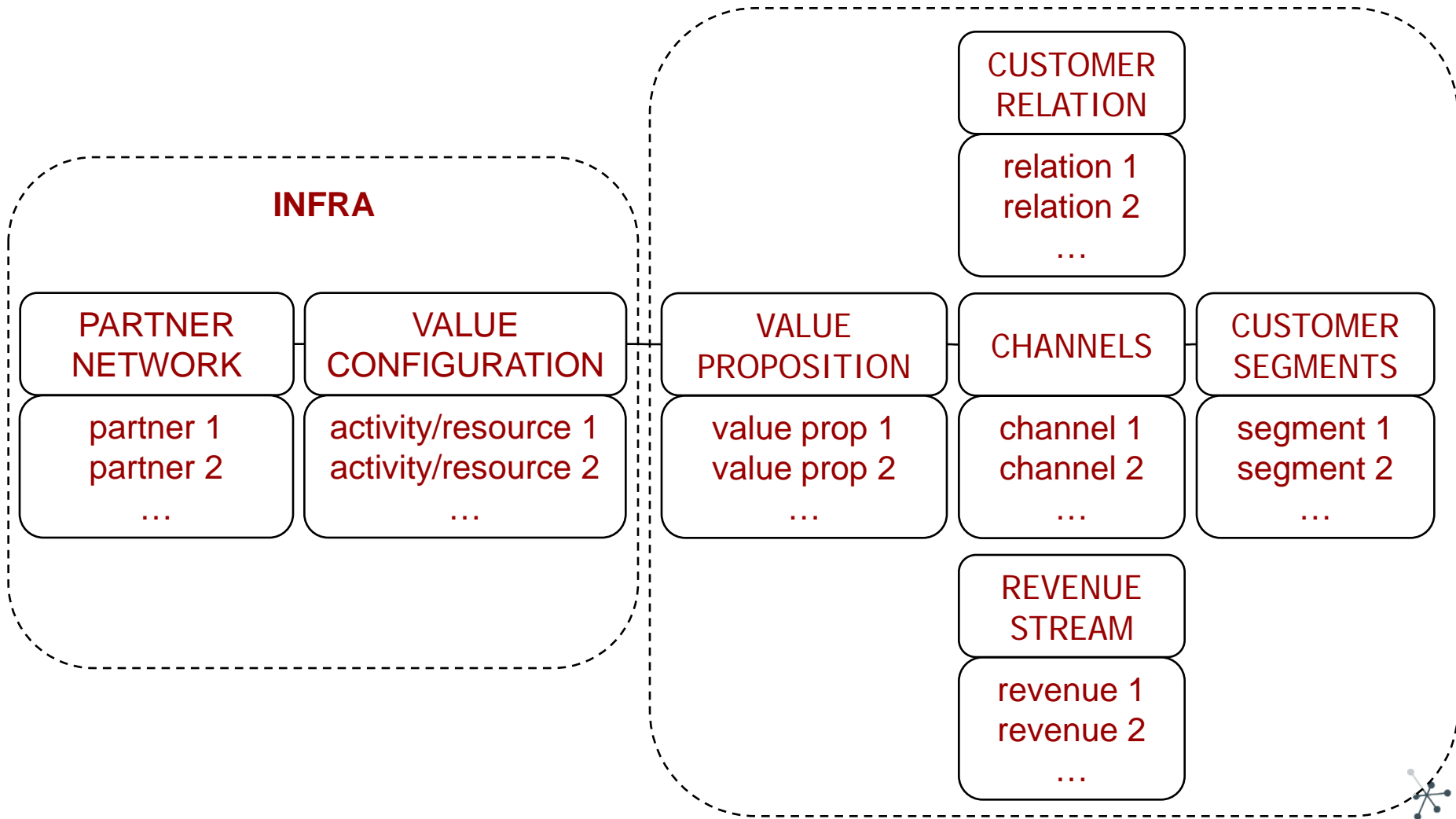
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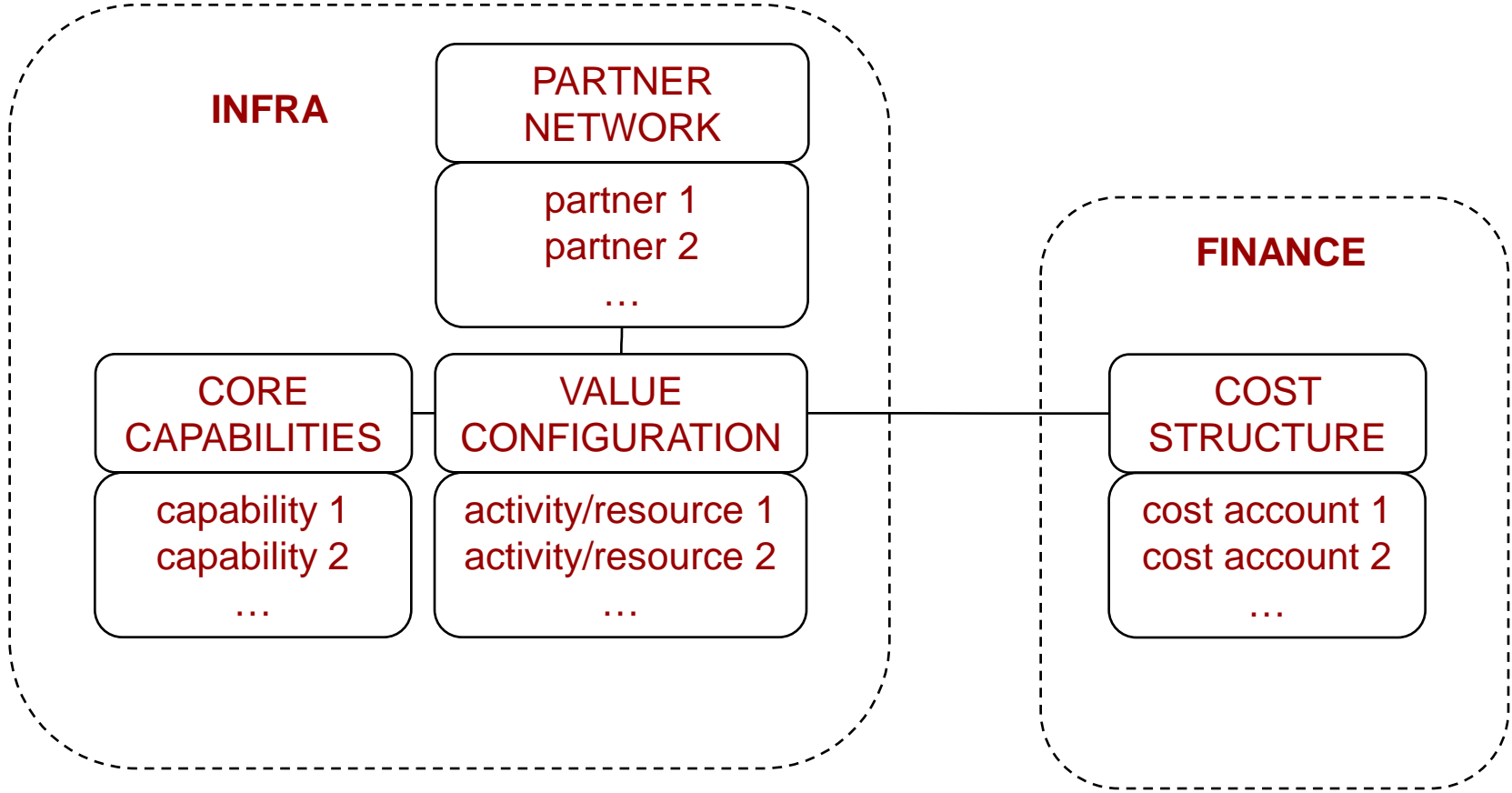
which activities and resources do I need for these capabilities? (model)



what do I do myself, what do I do with partners? (model)



what's the cost? (model)



value, difficulties, hurdles of
using such a concept





business models in the classroom





judgment time



post-it vote: the best business model?





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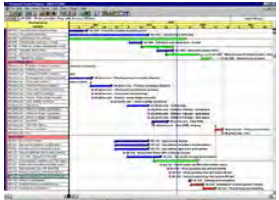


we co-create



Nobody knows your business environment better than yourself. We co-design your strategic vision by building on your knowledge. Through group thinking we find the right answers to the right questions together

we operationalize



Having a great vision is not sufficient - implementation counts. We help you reconcile long term views with short term actions. We make strategy everyone's job by translating it into pragmatic and prioritized projects.

we manage change



Change does not happen accidentally it has to be managed. We help you align strategy, people and processes with respect to your organizational culture and values.

we build knowledge



When you stop learning, you stop competing. We scan the knowledge universe for you, across disciplines and industries. We transfer the best methods, tools and theory in business to your organization.

we connect



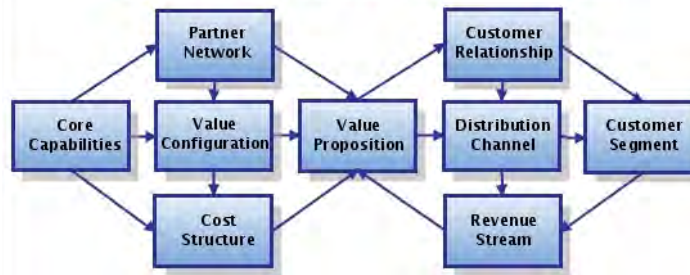
Specific problems require specific skills that you do not necessarily dispose of in-house. Through our interdisciplinary network we connect you with leading domain experts.



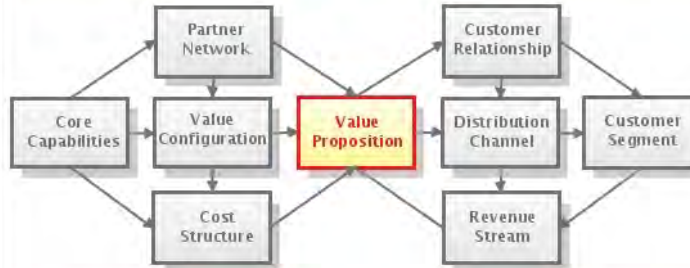
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other

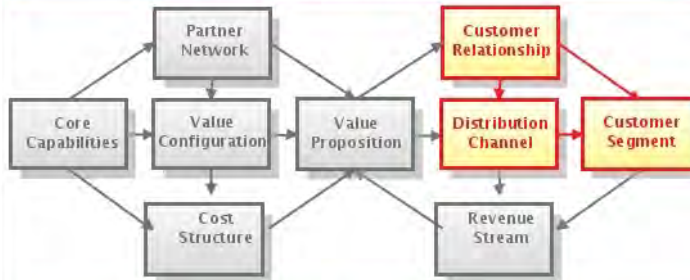
Business Model Concept (9 building blocks)



Product/Service Leaders



Customer Relationship Leaders



Infrastructure/Operations Leaders

