Business Models

UKSG breakout session March 2012





Organisations involved in scholarly communication face the challenge of relentless, disruptive, technology-driven change and tough economic times

this presentation is based on work I have been doing with libraries and some businesses in the library & information sector. I'll be looking at framework to explore business models that I believe is helpful for all kinds of organizations and businesses



Navigational instruments: sextant, ship's log, marine compass and telescope. Source: Museum Victoria Australia

Preliminaries

before you get to business models you'll have already figured out

our mission is.... our strategy is....

mission: why the organization exists

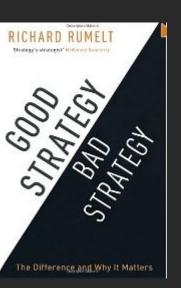
the motivation for being in the business

mission...for example you'll know this one.....

"... to organize the world's information and make it universally accessible and useful"

strategy is *not* goal setting it is....

'a cohesive response to an important challenge.... good strategy includes a set of coherent *actions..'*

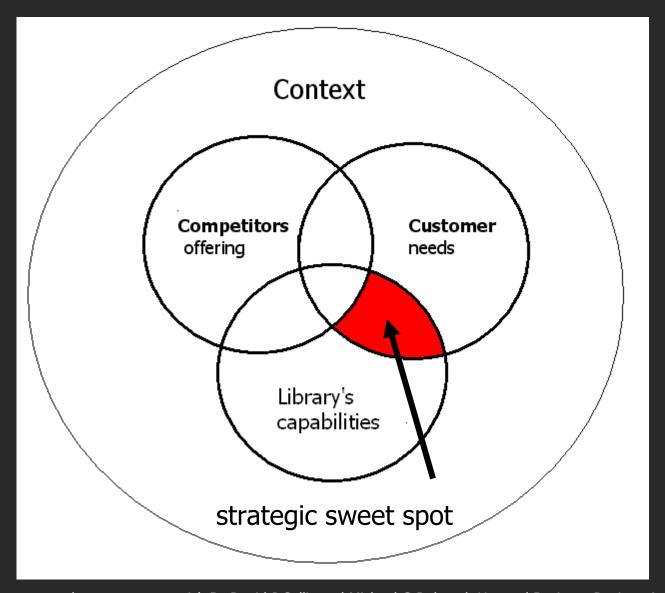


strategy

'a good strategy has...a kernel [that] contains three elements: a diagnosis, a guiding policy and coherent actions



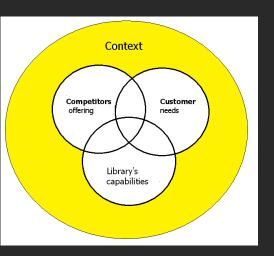
where should we be heading?



....and you'll have thought hard about the context in which your organisation operates

context: what's going on?

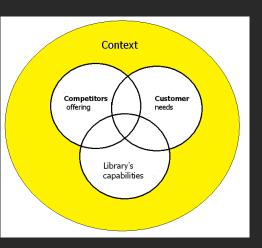
relevant....what threats are posed; what opportunities open up? - what's your *diagnosis*

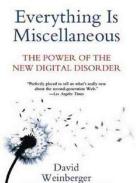


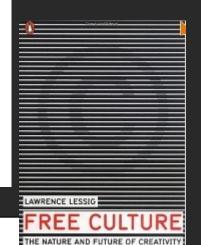
context: what's going on?

'continuous environmental scanning is more important than ever because of the growing complexity of the economic landscape... greater uncertainty...and sever market disruption...understanding changes in the environment helps you adapt your model more effectively to shifting external forces'

'Business model generation.' By Alexander Osterwalder and Yves Pigneur. John Wiley. 2010









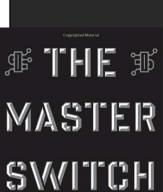
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How and Why Londing Universities Are Opening Up Access to Their Courses



TAYLOR WALSH



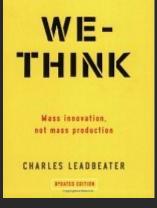
THE RISE AND FALL OF INFORMATION EMPIRES

TIM WIJ

YOCHAI BENKLER

The Wealth of Networks

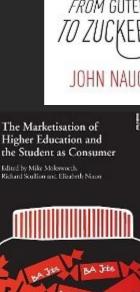
How Social Production Transforms Markets and Freedom



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THE INTERNET

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This is the kind of primer you to clide under your books do Cory Doctorow, Observer

FROM GUTENBERG TO ZUCKERBERG

JOHN NAUGHTÓN

YTON M. CHRISTENSEN **HENRY J. EYRING**



Changing the DNA of Higher Education From the Inside Out

context: themes

digital

content, cheap, virtually error free copying

network

neutral, global, permissive

social

participation

innovation

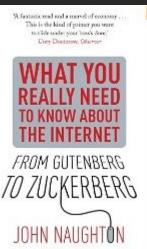
disruptive, low barriers to entry, millions have the 'means of production'

commoditization

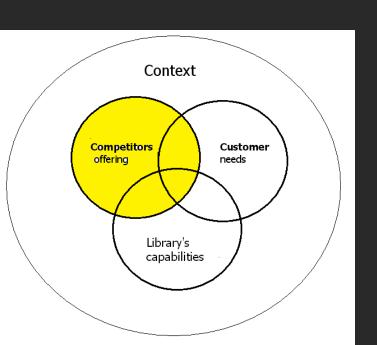
cheaper, faster, better

Disruption!

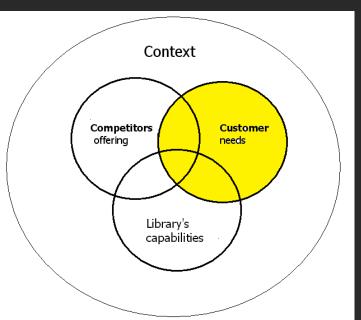
'for the Net, disruption is a feature not a bug'.



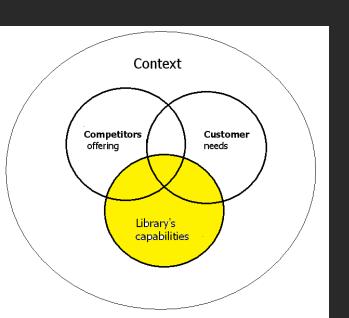
....and you'll have thought about your present and potential competitors and their offerings.....



....and you'll have thought about your organisation's present and potential 'customers' (users, patrons, beneficiaries).... and their needs.



....and you'll have thought about your organisation's capabilities...



capability: the ability to reliably and consistently deliver a specified outcome, relevant to your business

'The essential advantage. How to win with a capabilities driven strategy' Paul Leinwand and Cesare Mianardi. Harvard Business Review Press. 2011





what are the three to six capabilities that describe what we do uniquely better than anyone else?

can everyone in the organization articulate our differentiating capabilities?

is our leadership reinforcing these capabilities?

'The essential advantage. How to win with a capabilities driven strategy' Paul Leinwand and Cesare Mianardi. Harvard Business Review Press. 2011



'way to play' (in the market)..means....
a considered approach for creating and capturing value in a particular market..it means...

having those capabilities that **set the organization apart from competitors**, or be superior to those rivals.

having not just great capabilities but the right capabilities

knowing your organization has what it takes to **genuinely satisfy customers** in that market and beat the competition

your capabilities have to be **stronger than competitors**' and based on the long, not short, term

essential advantage

an ingrained ability to succeed...sustained over time, and is almost impossible to copy (i.e. as opposed to a transitory advantage)

basically, it means taking what you do well and putting it into practice in your chosen market

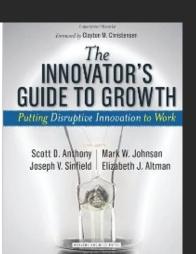


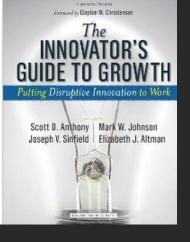
at the heart of this is the issue of value

what's valuable/special about what we do.

why should people use *our* products/services instead of alternatives?

'a business model is the foundational architecture of a business describing in sum how a number of key pieces of the business system fit together.'





at the most basic level a business model consists of four interlocking interdependent components:

the customer value proposition that defines the products and or services(s)

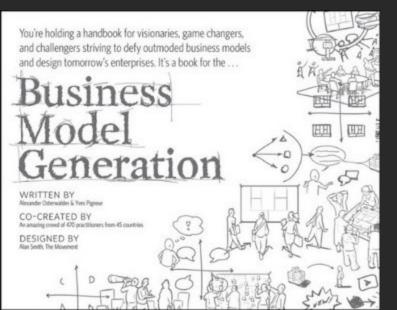
the profit system or value proposition that an enterprise employs to deliver value to its stakeholders

the key resources deployed to create value

the critical processes that guide and shape operation: how the company organizes and acts

'a business model describes the rationale of how an organization creates, delivers and captures value'

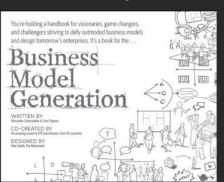
'Business model generation.' By Alexander Osterwalder and Yves Pigneur. John Wiley. 2010



applies as much to a public sector organisation and not-for-profit, social ventures as much as a commercial company

'to survive every organization that creates and delivers value must generate enough revenue to cover its expenses, hence it has a business model'

'Business model generation.' By Alexander Osterwalder and Yves Pigneur. John Wiley. 2010



business model -it's about sustainability



"Sustainability' is a pressing topic for many funders, but we found that this can mean different things to different people.....We observed that funders articulate a range of desirable outcomes under the umbrella term of 'sustainability.'

[there is a need to] 'think deeply about the financial and other resources needed post-grant to reach these

outcomes'

Ithaka report produced and funded by JISC through the Strategic Content Alliance: `Funding for sustainability. By Nancy L Maron and Matthew Loy. June 2011

business model -it's about sustainability

JISC I T H A K A

Strategic Content Alliance

'all too often funders and project leaders alike rely heavily on a university or other host institution as a back-up plan for long-term sustainability.'

"The need for guidance around this subject has never been so stark," stated Stuart Dempster, Director of the Strategic Content Alliance. "As many of our peers in the funding community can attest, the path from initial funding to long-term sustainability has been a long and rocky road

finding the right business model may take time

[founded in 1998] 'the truth is the company lacked a viable plan for making money until early 2001...." we couldn't really figure out the business model... there was a period where things were looking bleak."

have you changed your business model?

'While CEOs still believe that product, service and operational innovations are important, they feel that innovation must also be applied to a company's very core — to the way it does business and drives revenue. CEOs deemed these business model innovations vital to creating new and differentiating value for their companies. Companies that can substantially change how they add value to their own or other industries can differentiate themselves and gain a competitive edge.'

IBM Global Services September 2006



Business model innovation—the new route to competitive advantage.

business model building blocks

Business model 'building block'	Brief Description
Customer segments	The customer group(s) the organisation serves.
Value propositions	What value is the organisation delivering? Which customer 'problems' (JTBD) is it helping with?
Channels	What is the 'interface' with customers. How are they reached? How does the organisation enable customers to evaluate its value proposition? How does it provide support?
Customer relationships	What kind of relationship with existing customers. Are relationships driven by need to get new customers? How costly are these relationships to maintain?

business model building blocks

Revenue Streams	Where does the organisation get its cash from? What are the options? Subscriptions, asset sale? Licensing. Pricing options?
Key Resources	Physical, financial, intellectual or human
Key activities	The most important actions an organisation must take to operate successfully
Key Partnerships	Who are the key partners? Key suppliers? Which key resources are acquired from partners? Which key activities do partners perform?
Cost structure	Where do the costs come from? Is the organisation a 'cost driven' model or a value driven model.

customer segments

do different segment have different value propositions?

value propositions

meeting new needs?

improving performance?

brand?

convenience/ease of use?

channels--phases

awareness

evaluation

acqusition/purchase

delivery

support/after sales

customer relationshipstypes

personal assistance

self service

automated services

communities

Co-creation (reviews, tagging)

revenue streams

asset sale

usage fee

subscription fees

lending/renting/leasing

licensing

key resources

physical

intellectual

human

financial

key activities

Production-designing, making

problem solving

platform/network

key partnerships

optimisation –eg outsourcing

Reduce risk-strategic alliance

acquistion –from others

cost structure

cost driven –minimise costs

value driven-premium value

fixed costs -eg salaries

variable costs-vary with volume

economies of scale-bulk purchase

two key building blocks.....

value propositions seek to solve customer problems and satisfy needs

revenue streams result from value propositions successfully offered to customers

so (to repeat) it all comes back to <u>value</u>

what's valuable/special about what we do.

why should people use *our* products/services instead of alternatives?

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