

# Business Model Analysis for Digital Businesses

G53DDB Developments in Digital Business

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- Ex Motorola European Customer Satisfaction Manager
- Sectors: electronics, engineering, oil & gas, food & drink, chemicals
- Functions: engineering design, production, marketing, sales
- Now: lecture, research, publish, consult on business & information systems

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## This lecture: business models & value flows

This lecture will introduce you to:

- how value makes the world go around (not angular momentum)
- how a business model describes this
- how value flows between commercial entities like firms
- one network of entities orchestrated by Manchester United
- how business models are not limited by shelf or warehouse space

## Value

What are your values?

How do you satisfy them?

Value system

Values as 'commercial energy'

## Value

### Value is

- what the customer thinks it is (**utility**)

vs.

- what you think it is (**production cost**)

**Value utility** (usefulness)

Things that help customers sustain their **identity** or reach their **goals**

**Value production cost** (cost to make)

- processing cost

## Resource Systems & supply chains

- how your firm produces & delivers benefits to customers
- shift from **physical** to **virtual + physical** world
- shift from a **supply-side** focus to a **demand-side** focus
  - consumer point of view not yours
- shift from **activities** to **capabilities**
- shift from **products** to **services**

## Core competencies & partnership networks

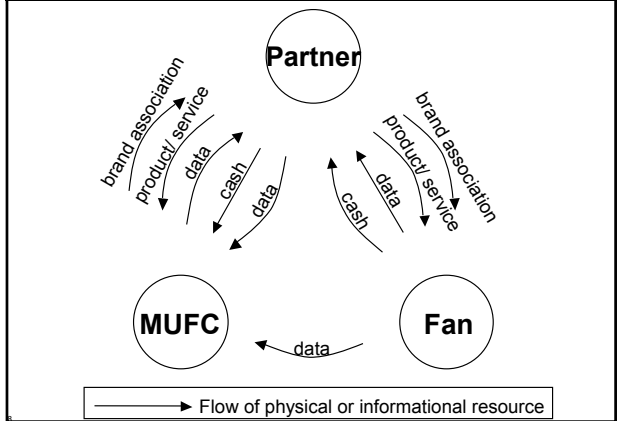
- shift from **single** to **multi-firm** systems
  - partnerships → Man Utd

## Manchester United partners

- **Vodafone** – sponsor and developer of mobile services such as live match and news alerts; and affinity mobile games, images, and screen savers
- **Nike** – merchandiser and manager of the stadium shop at the Old Trafford football ground
- **Terra Lycos** - website partner and website developer
- **Ladbrokes** – stadium and online betting services
- **Dimension Data** – ICT systems
- **Fujifilm** – sponsor, global media rights manager and developer of branded imaging products
- **BSkyB** and **Granada** – satellite and terrestrial television broadcasters supporting MUTV
- Financial sector partners - **MBNA** and **Barclaycard** (credit cards), **Endsleigh** (insurance), **The Britannia Building Society** and **The Bank of Scotland** (personal finance)
- **Pepsi**, **Budweiser**, **Wilkinson Sword** and **Century FM**

Source: Manchester United

## Manchester United's network of partners



## Discussion

- What does Man Utd use partners for?
- Why do Man Utd use partners?
- What is Man Utd's real business?

## Business model

A business model describes how **value flows** through a **firm** or a **network of firms & people**

- e.g. **eBay** coordinates mass C2C transactions
- e.g. **Google** helps you find "needles in haystacks"
- e.g. **uswitch.com** helps you switch to a cheaper utility

sliversoftime.com, YouTube, MySpace ...

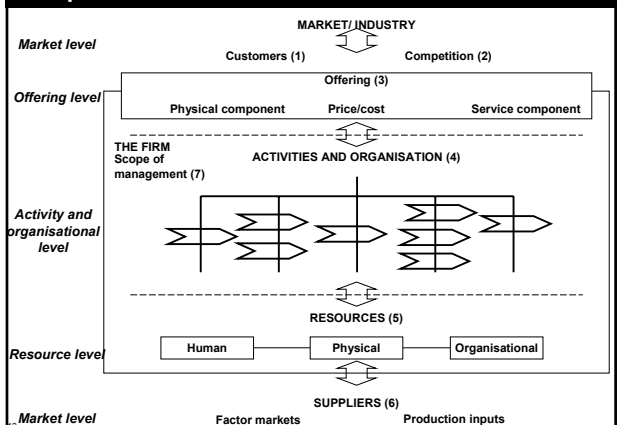
Public sector – what business model? A value model?

## Linking Business Models and e-business

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 in Business Source Premier database (Ostenwalder & Pigneur)

## Components of a Business model (Hedman & Kalling)



## The Long Tail: less constrained business models

Chris Anderson in Wired Magazine

[http://www.wired.com/wired/images.html?issue=12\\_10&topic=tail&img=2](http://www.wired.com/wired/images.html?issue=12_10&topic=tail&img=2)

### Generating & using customer data

- Business Intelligence (BI): banks, phone companies, most firms

### Past

- prioritisation of asset use (ABC, Pareto, 80:20 rule)
  - 'economics of scarcity' → physical book shop

### Future

- removal of some asset constraints
  - 'economics of abundance' → Amazon

## Summary

- Value makes the (business) world go around
- **Business models** describe how **values flows** through firms and networks
- Digital businesses removes some constraints → economics of abundance
- More abundance (more choice, more partners) = more complexity
- Information Systems help managers to manage complexity (BI, CRM, ERP, BPMS)

Questions?