

# **Business Model Innovation: Research and Practice Across the IfM**

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IfM Briefing Day 2015



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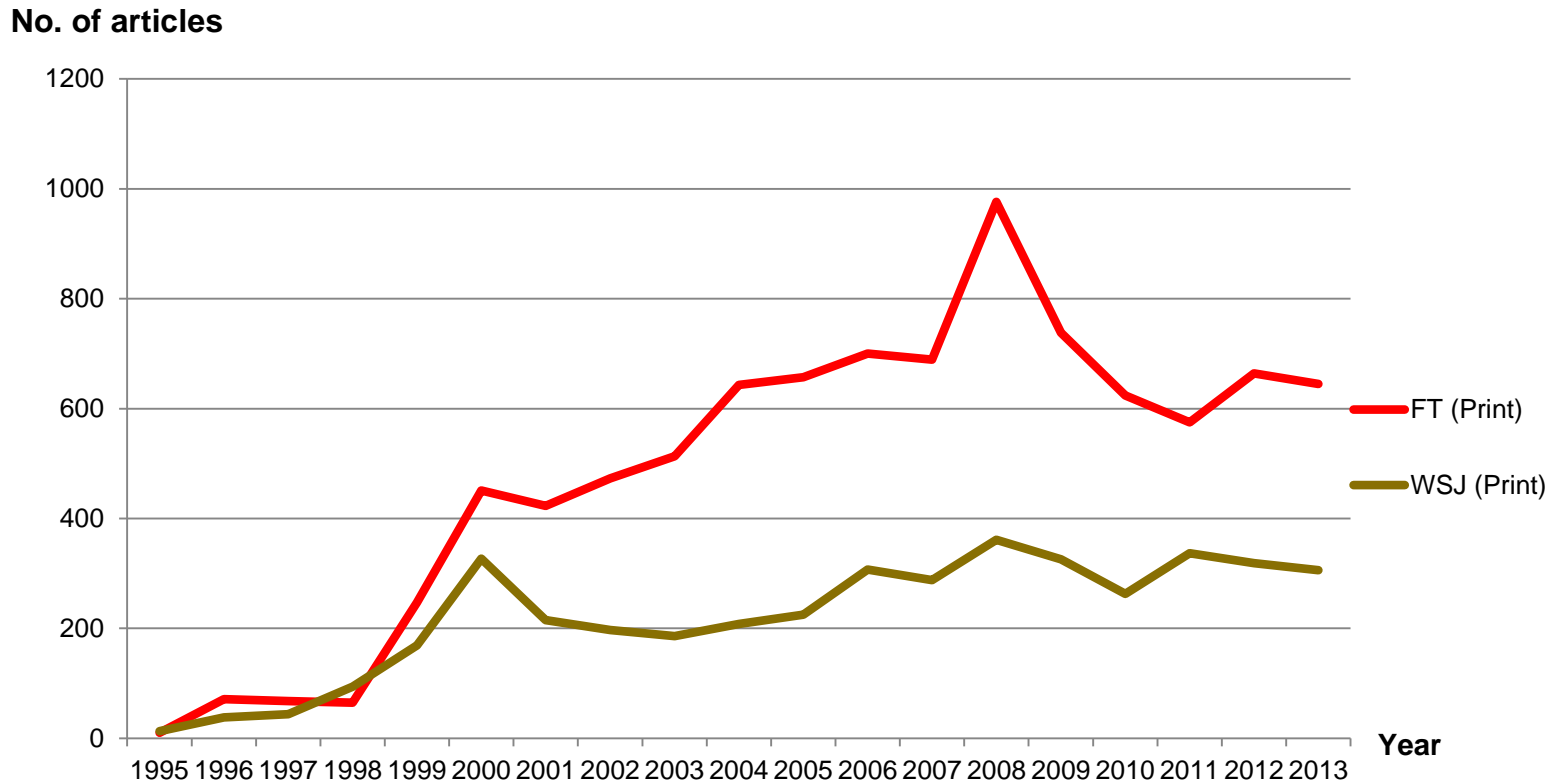
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# Contents

- The importance of business model innovation
- Themes in business model innovation across IfM

# Business models have become increasingly important

## Business Model articles in the FT and WSJ



# Similar trend in the Indian financial press...

## Business Model articles in The Economic Times (India)



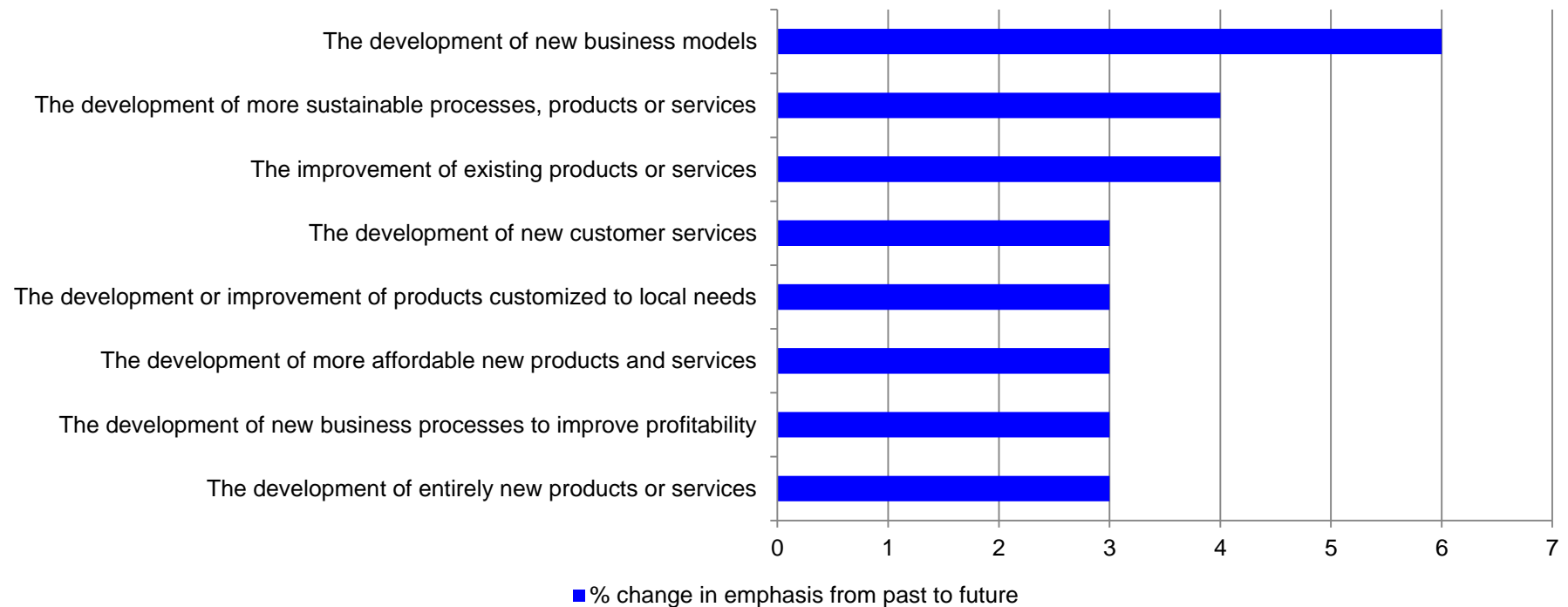
# ...and also in China

## Business Model articles in The China Daily



# Business model innovation and performance

**What kind of innovation will/have contribute(d) most to your company's performance?**



Source: GE Global Research Findings & Insights January 2013; surveyed 3000 executives in 25 countries

# The 4V's of a business model

## Value Proposition

Who are your customers and what do they value?

- (1) Product/Service
- (2) Price
- (3) Place
- (4) Promotion

## Value Creation

How is our value chain configured?

- (1) Production
- (2) Inventory
- (3) Distribution
- (4) Financing

## Value Capture

What is the economic logic to make a return?

- (1) Revenue architecture
- (2) Cost architecture

## Value Network

What is the position in the value network?

- (1) Capabilities
- (2) Complementarities
- (3) Major partners

Source: Velu. C (2015)



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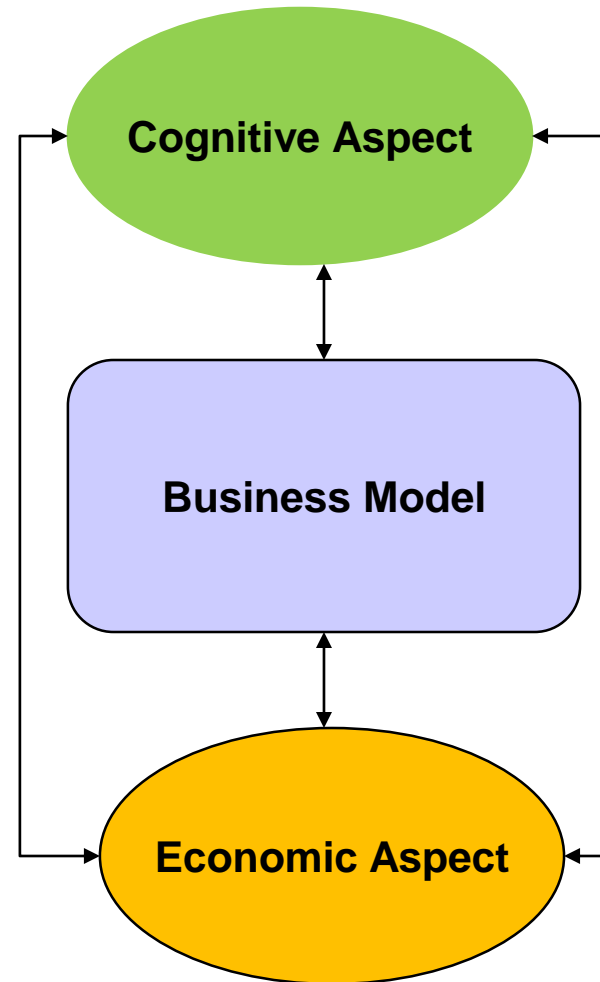
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# New business models have transformed industries





# Business models have both cognitive and economic aspects



# Polaroid



- First instant camera in 1948
- In 1972, invented the SX-70 (one step developing with no waste)
- Between 1948-1978 annual growth
  - 23% in sales
  - 17% in profit
  - 17% in share price



Source; Tripsas and Gavetti, SMJ, 2000

# Focus was on major technological developments

*‘Do not undertake the program unless the goal is manifestly important and its achievement nearly impossible’*

- 1980 annual report - letter to shareholders

Source; Tripsas and Gavetti, SMJ, 2000



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# The razor-blade business model



- In 1965 the ‘Swinger model’
  - dropped prices on hardware
  - stimulate demand on film
  - increase price on film

Source; Tripsas and Gavetti, SMJ, 2000

# Cognitive aspect drove the economic outcome at Polaroid

- *‘....in the photographic business all the money is in the software, none of it’s in the hardware...so the fundamental objective in these things was to find ways to advance products but that would be useful for improving the software sales’.*  
–Ex CEO Polaroid
- Rejected developments in digital photography

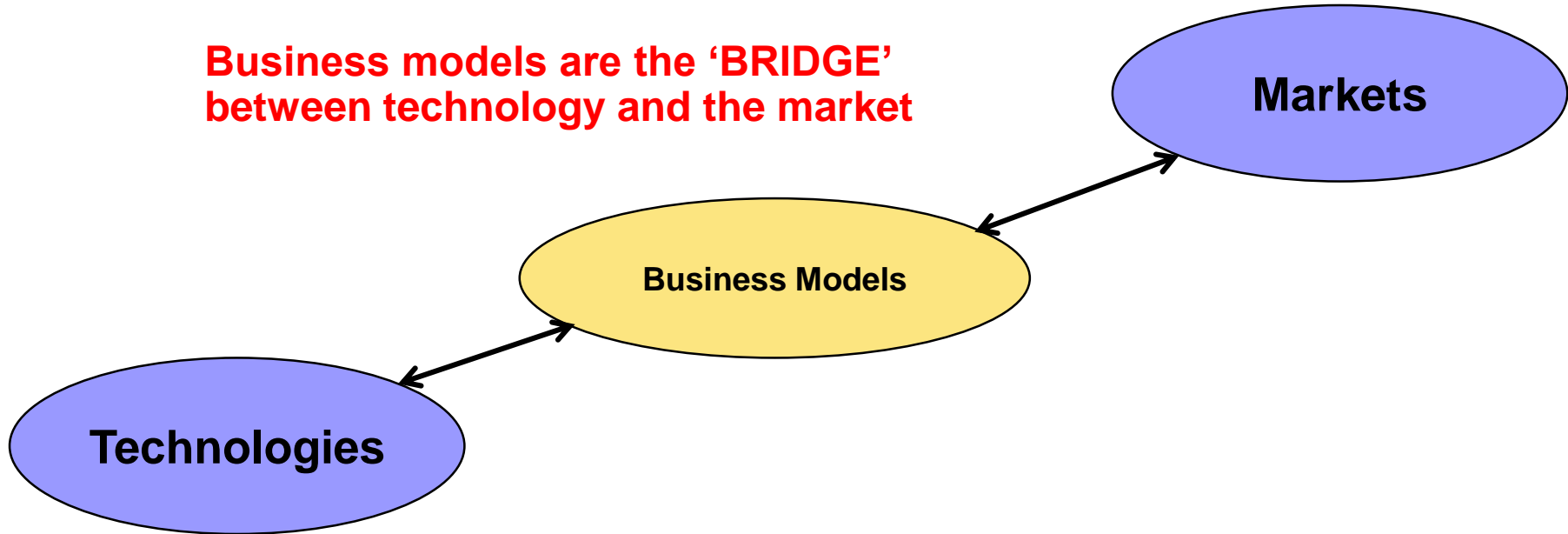
Source; Tripsas and Gavetti, SMJ, 2000

# Key themes

- Technology, Innovation and Servitization
- Sustainability
- Economic Development
- Business Support Tools and Services

# Technology Management

**Business models are the 'BRIDGE' between technology and the market**



- **Centre for Technology Management:** role of technology and innovation management
  - development and delivery of new products and services
  - industrial emergence and business ecosystems
- **Roadmapping:** articulate the strategic vision for early stage ventures in business model terms.



# New technology and business models

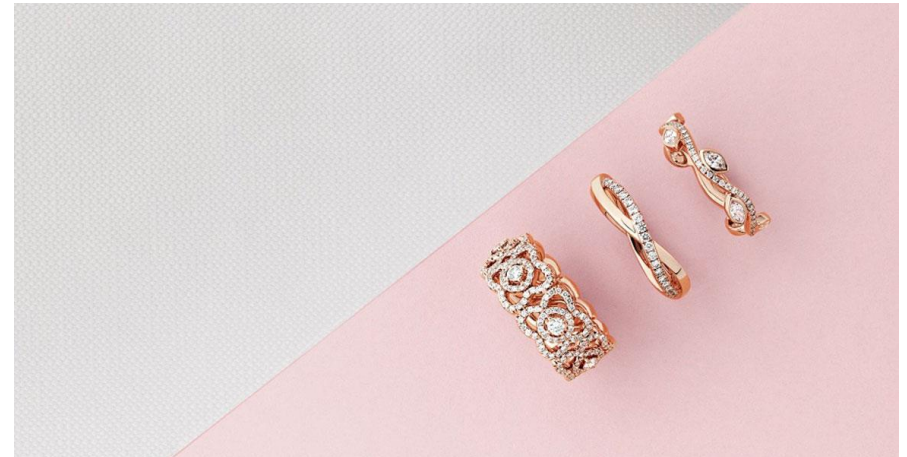
## ‘Bit by Bit’: Digital fabrication and business model development



Tooth and Dental Implants



Equipment for Diamond Testing –  
Genuine





# Servitization, Information Management and Global Networks

IBM

zoetis™

*Cambridge Service Alliance*

CATERPILLAR®

PEARSON

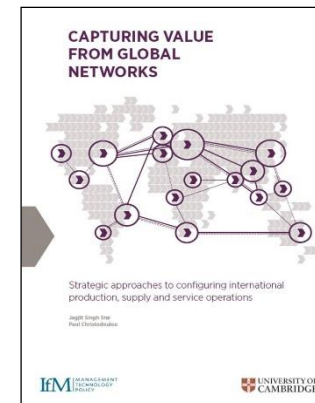
BAE SYSTEMS

INSPIRED WORK

**The Distributed Information and Automation Laboratory (DIAL):**  
advanced information systems



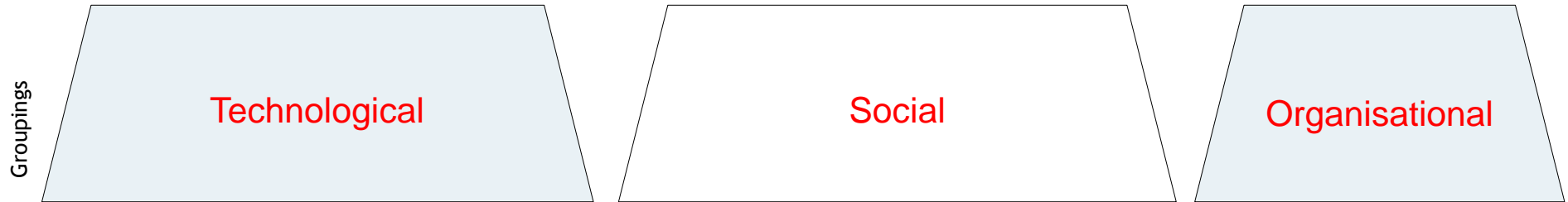
**The Centre for International Manufacturing:**  
global value networks



# Centre for Industrial Sustainability

- Business as usual is not an option due to unsustainable rate of consumption - take 1.5 years to regenerate renewable resources consumed in one year

## Sustainable business model archetype



- **Business Models for Sustainable Industrial Systems** with partners - Toyota and Riversimple.
- **Redress** drive garment recovery and retained value through business model and supply chain innovation - Marks & Spencer.

Source: Bocken et al, (2014) *Journal of Cleaner Production*, 65, 42-56

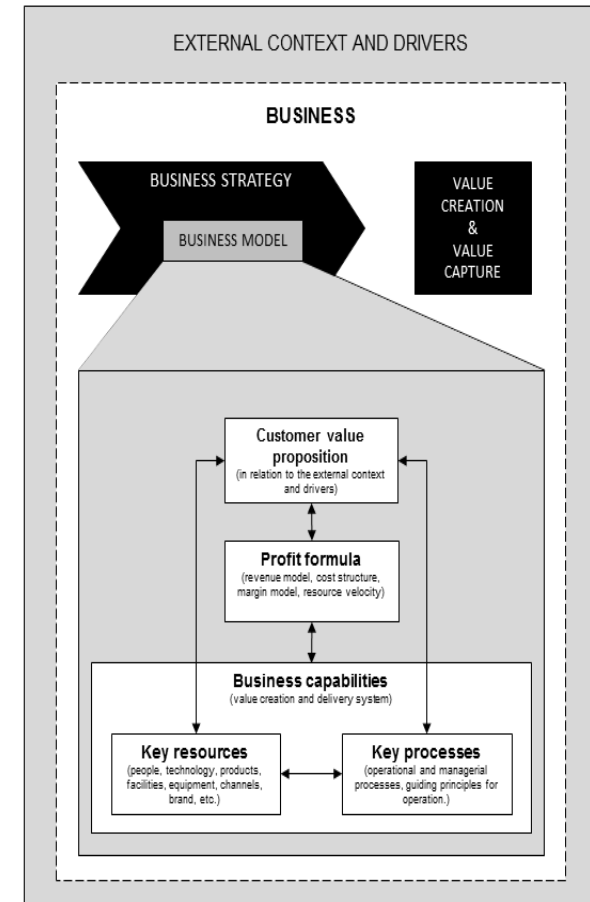
# Economic and Industrial Development

- Economic Development and Policy
  - Malaysia-UK Innovation Alliance
- Centre for Science, Technology and Innovation Policy (CSTI)



# Business support tools for business model development

- **IfM ECS** designs and applies business support tools and processes based on University of Cambridge research
  - business advisory services
  - executive education
- Business models related toolsets
  - Early stage venture strategy
  - Business scale up
  - Marketing toolkit
  - Service toolkit
  - Embedding sustainability profitably

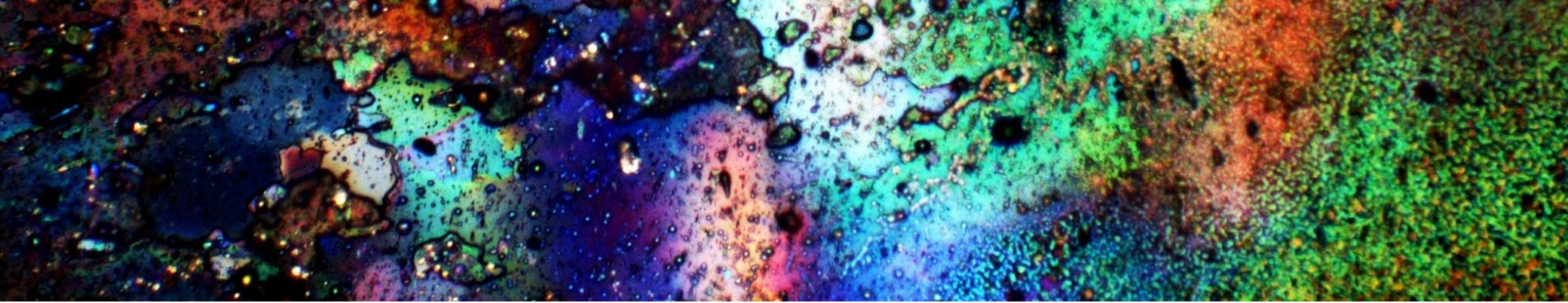


# The business model can drive other types innovation

*“When the business model is innovative, operations and the product will follow automatically.”*

*Ronald de Jong, CEO Philips CL, Germany*

Source: IBM, The Global CEO study 2008



**Thank you**

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