

# Business Model Innovation

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# Business Models

- **Business model**- simply, a way to turn capabilities into money
- Redesigning the **offering** – the combination of product and service elements – is central to Business Model innovation
- This has to be linked to the means for **making transactions** possible: what constitutes **value**, and how the offering is **priced and paid for**
- Particularly in B2B markets, business models may have to be adapted to **align** with each customer's own business model.

In short, this presentation will suggest how to make the mechanics of servitization work.



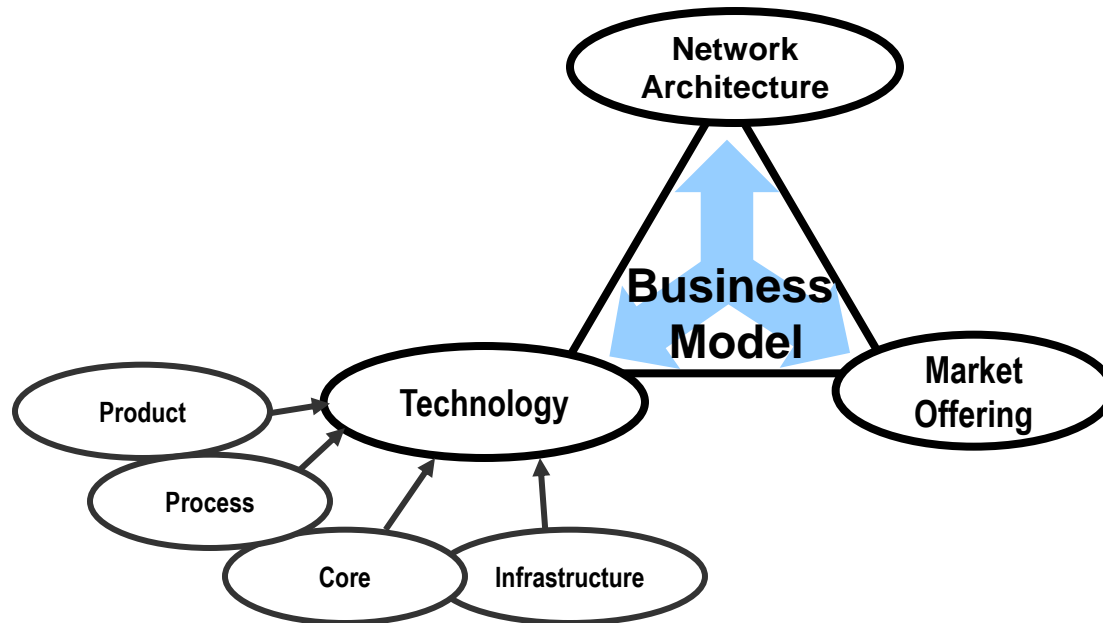
Haloid/Xerox and the 914 Photocopier (1959)

‘...sometimes we must work particularly hard to find the **“architecture of the revenues”**...Here at Xerox, there has been a growing appreciation for the struggle to create a value proposition for our research output, and for the fact that this struggle is as valuable as inventing the technology itself.’

(John Seely Brown, Xerox)

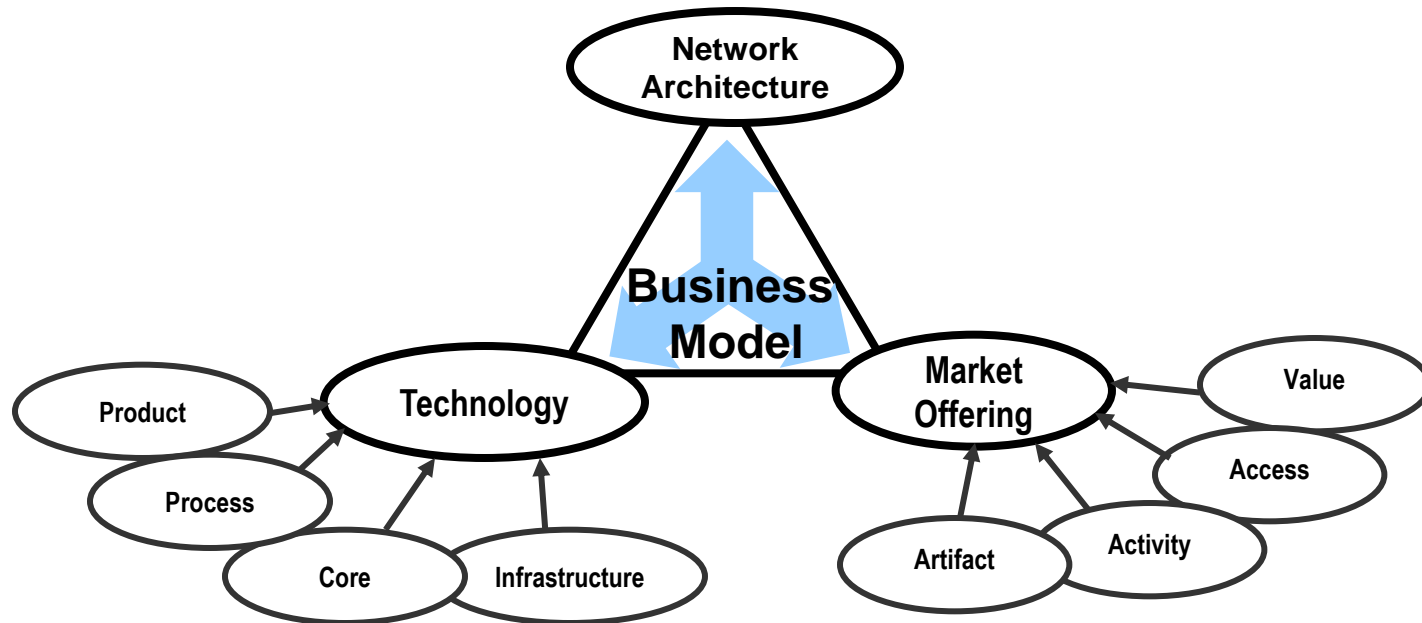


# Technology





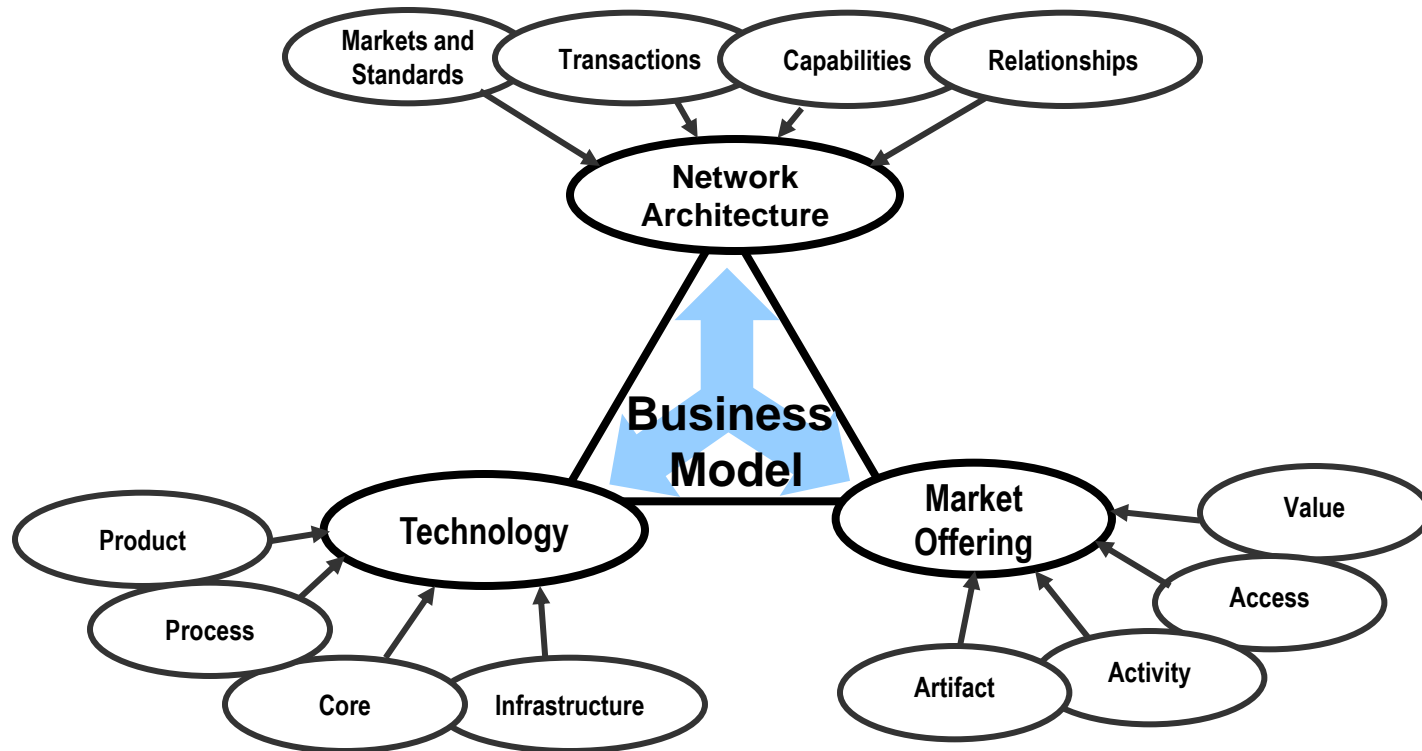
# Market Offering



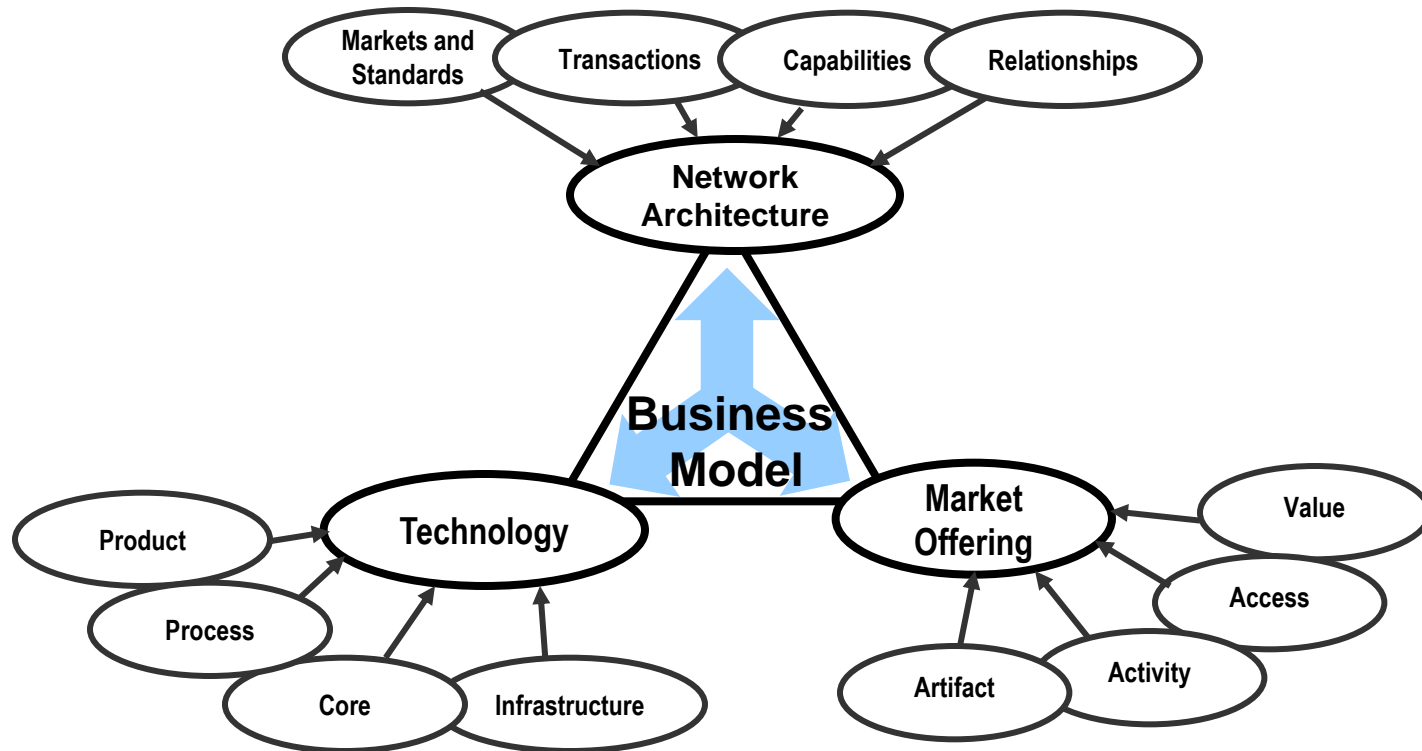


*"I haven't the slightest idea who he is. He came bundled with the software."*

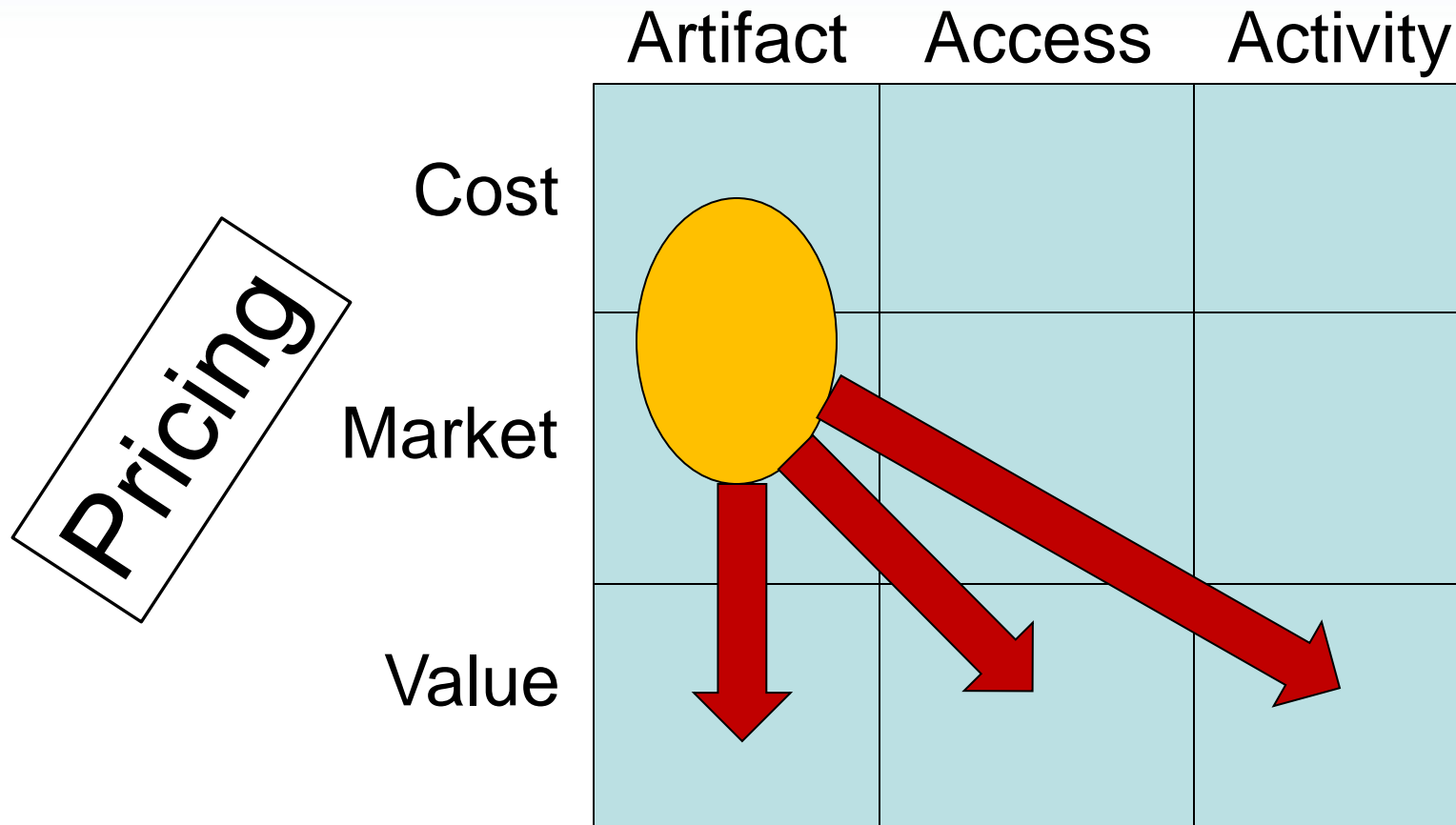
# Network Architecture







# Market Offering

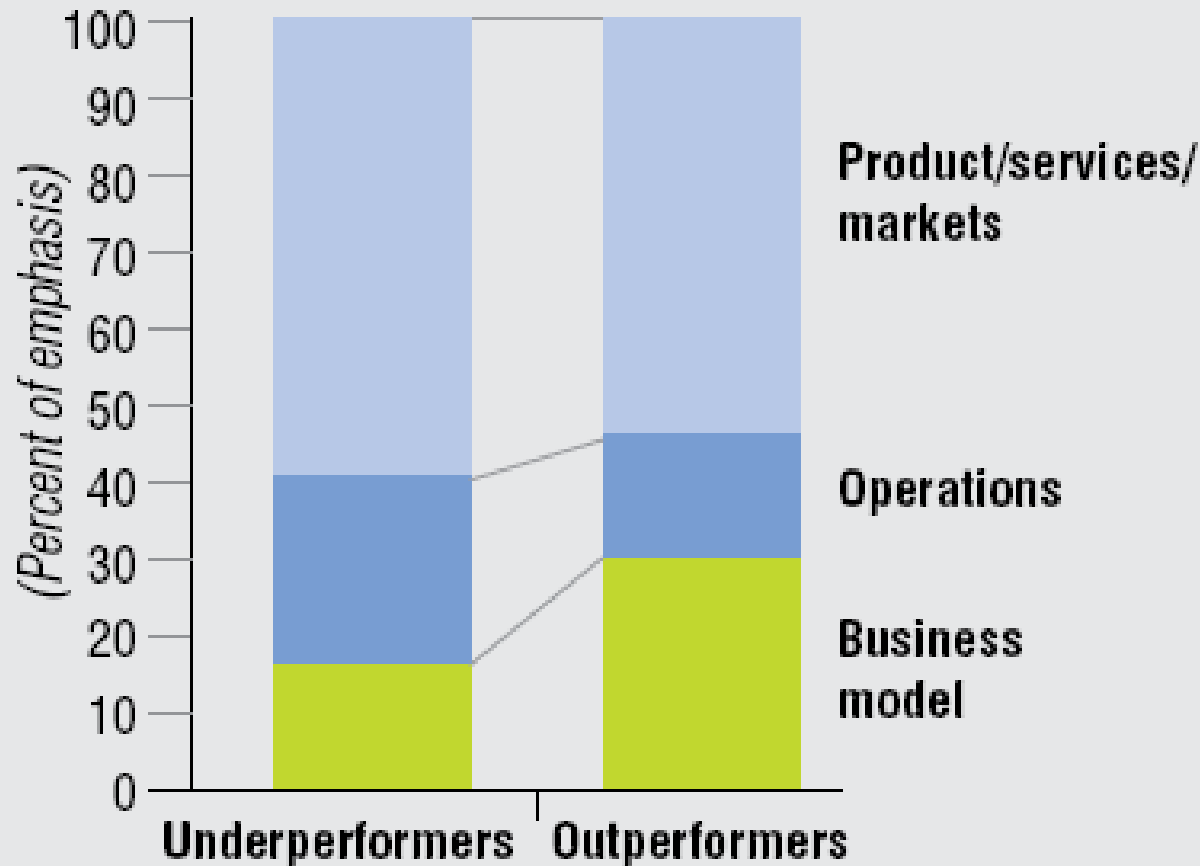


# What it Means To You

1. Identify, recognise, formalise, perhaps embody the management of offerings – they are the link between capabilities and money. Don't rush to pricing models.
2. Seek out sticky knowledge
3. Invest in developing or accessing technologies for making transactions
4. Interactively align business models with major customers
5. New issues of risk....

FIGURE 1.

**Profit outperformers focus on business model innovation more frequently than underperformers.**



*Note: Based on operating margin growth over five years as compared to competitive peers.*

*Source: "Expanding the Innovation Horizon: The Global CEO Study 2006," IBM Global Business Services. March 2006.*