

Business Model Innovation FOR RESILIENCE



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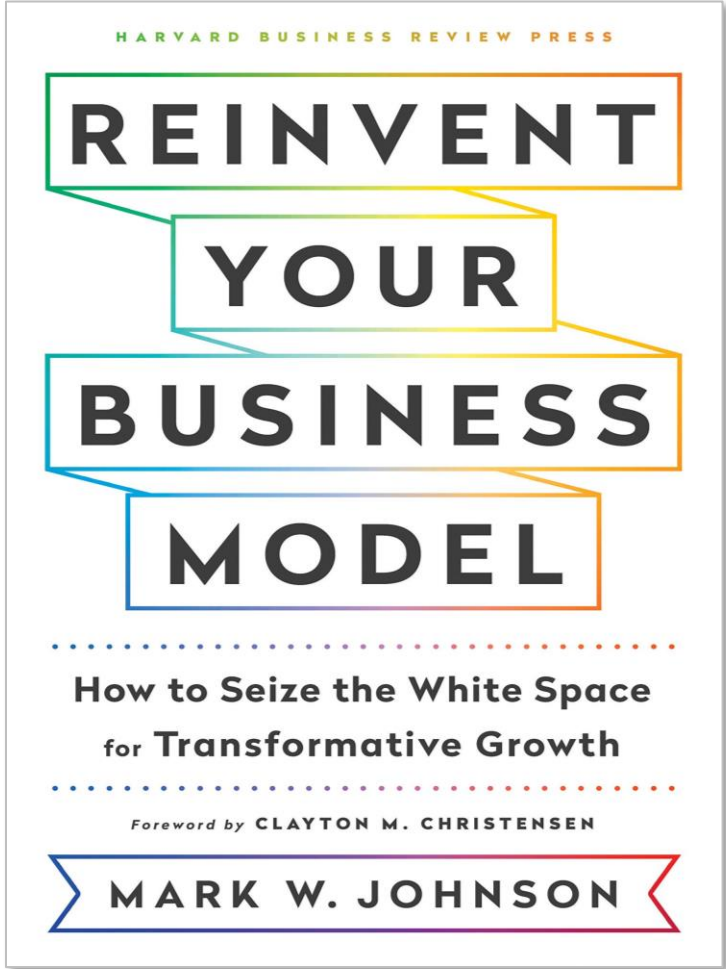
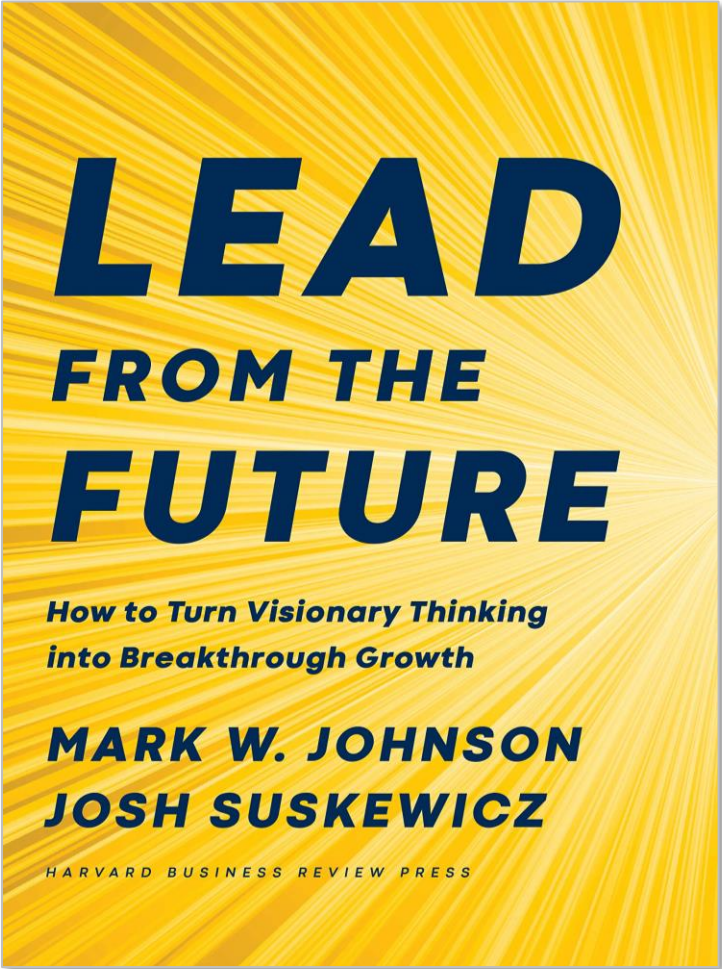


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For your reference during today's webinar



- **This webinar is being recorded**
- **Link to the recording and slides will be shared**
- **All participant lines have been muted**
- **Please submit questions using the Chat feature**
- **Feel free to comment in the Chat as well**



The Lockheed Martin Skunk Works Hybrid Airship



Companies struggle to achieve innovation success

Companies have more data on customers than ever...



Yet, successful innovation rates remain dismally low

84% of global executives reported that **innovation was extremely important** to their growth strategies

94% said that they were **dissatisfied with their organization's innovation performance**



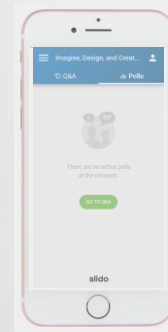
Interactive Activity: What are the greatest obstacles to business model innovation within your organization?

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What are the greatest obstacles to business model innovation within your organization? (3 words max)

0 3 5



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Discussion Topics

- ▶ **WHAT IS A BUSINESS MODEL?**
- ▶ **CIRCUMSTANCES FOR BUSINESS MODEL CHANGE**
- ▶ **PROCESS FOR DESIGNING AND DEVELOPING A NEW BUSINESS MODEL**



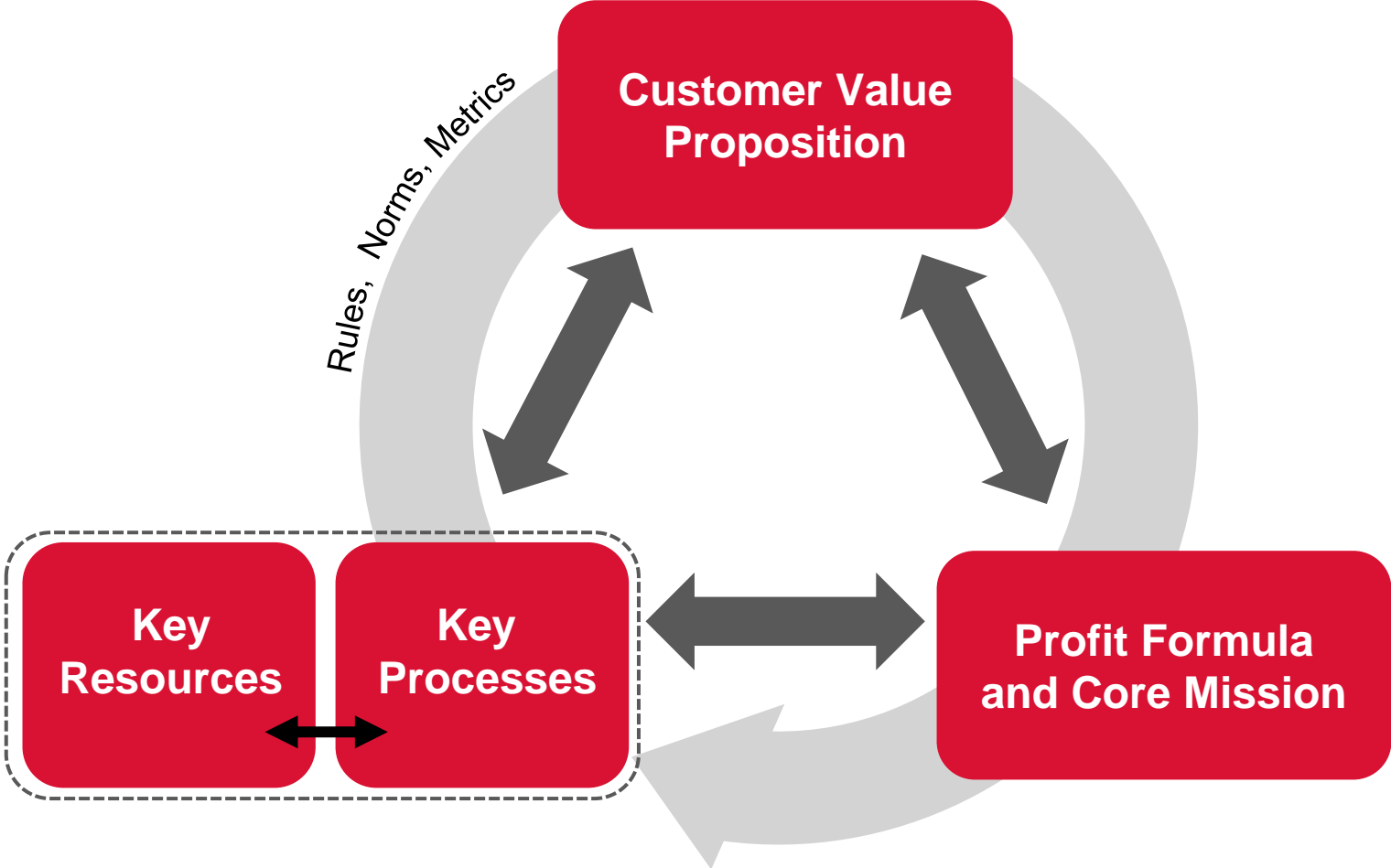
Discussion Topics

▶ **WHAT IS A BUSINESS MODEL?**

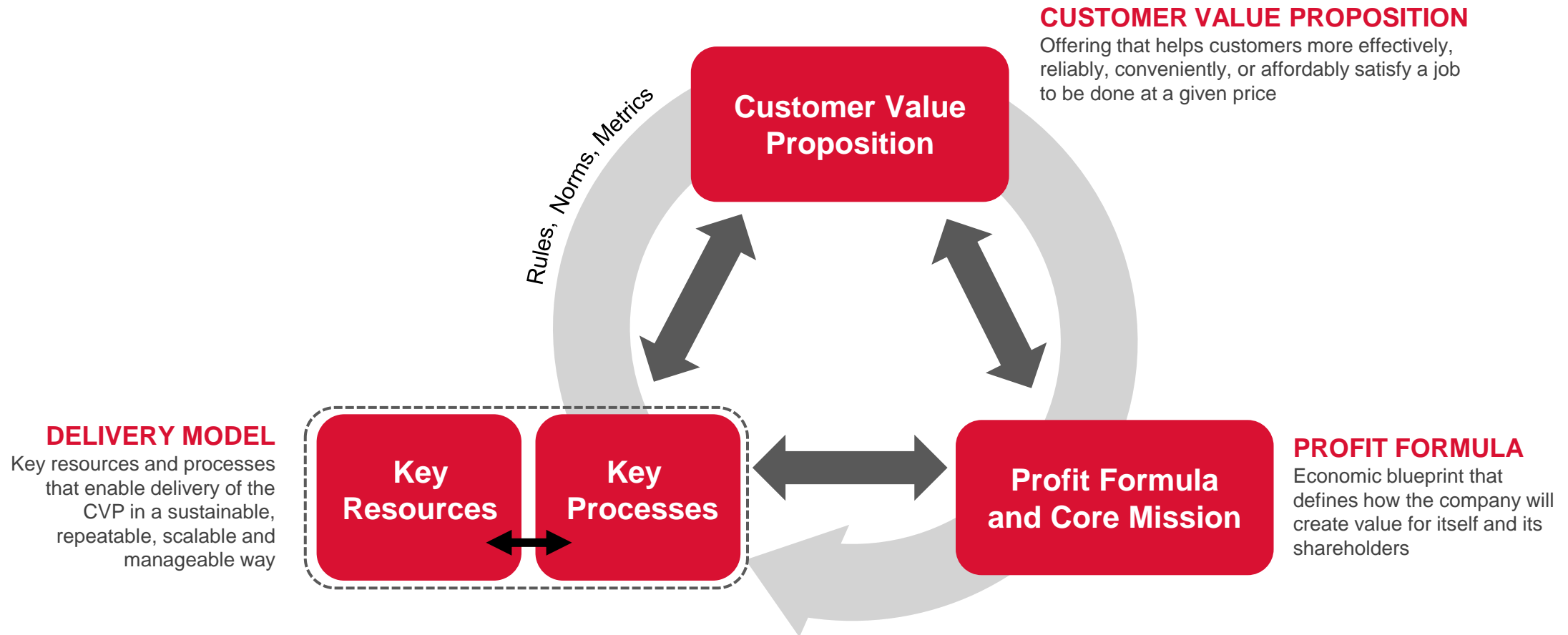
▶ CIRCUMSTANCES FOR BUSINESS MODEL CHANGE

▶ PROCESS FOR DESIGNING AND DEVELOPING A NEW BUSINESS MODEL

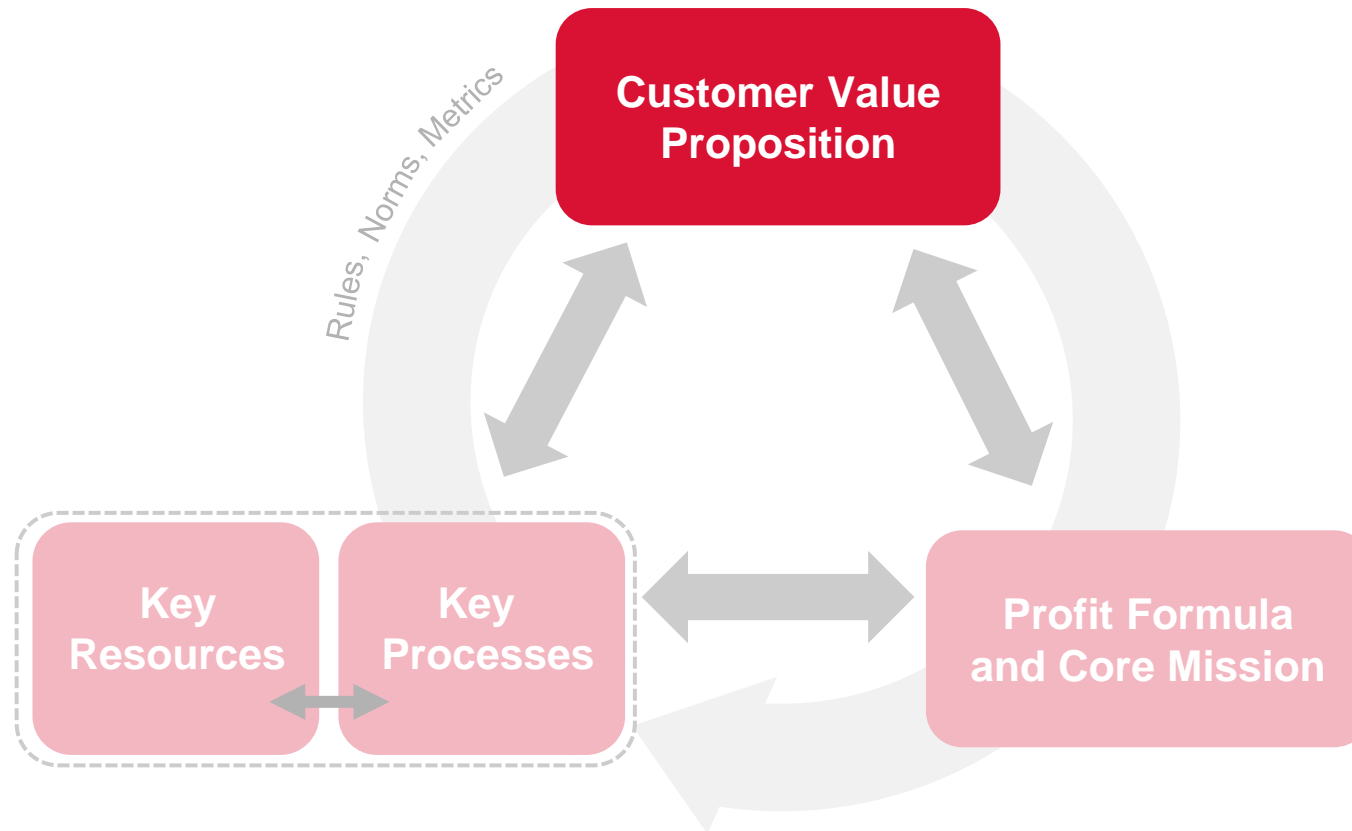
The key elements of a business model



A business model is an interdependent system



The customer value proposition has three elements



Offering

- What are you offering?
- Who is your customer?
- What jobs to be done are being addressed?

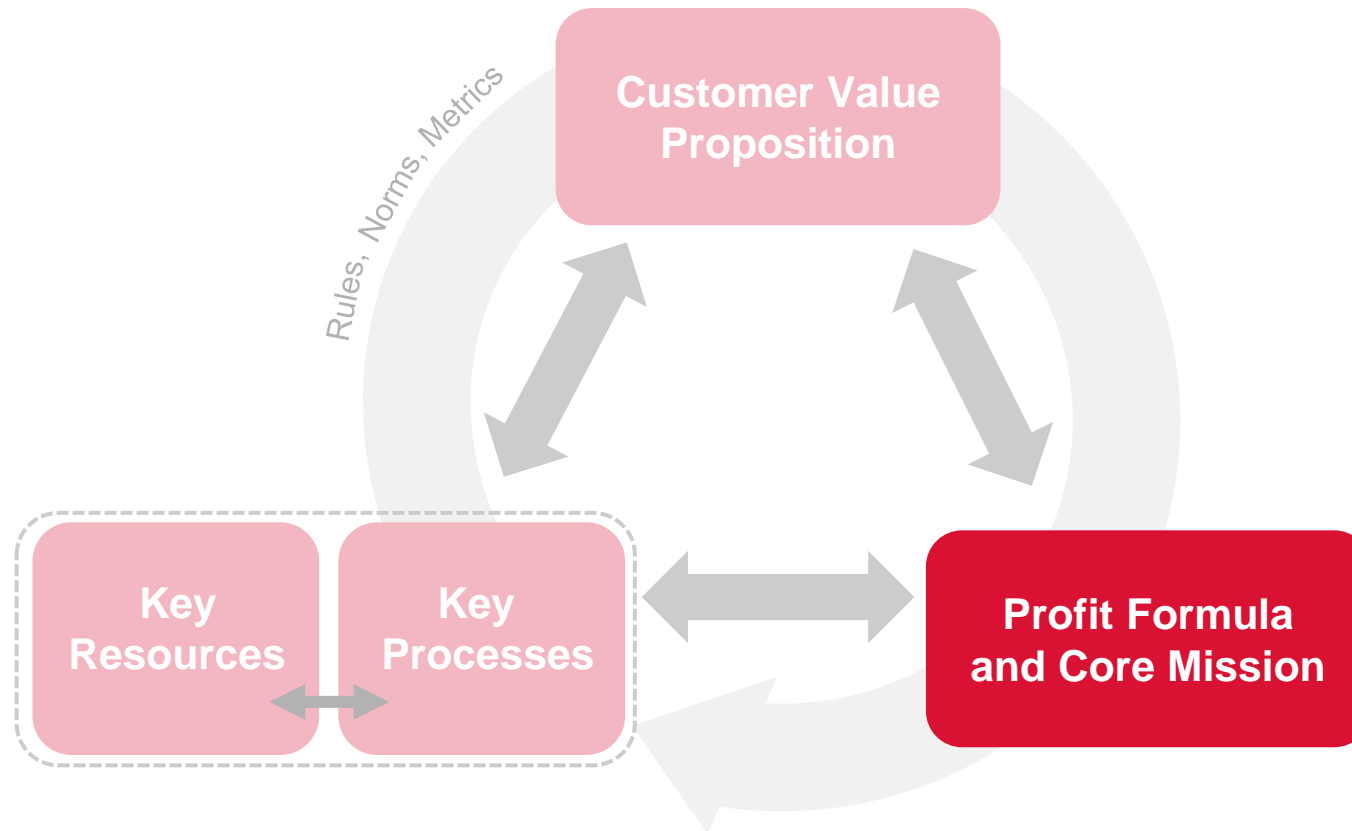
Access

- How do customers learn about the offering?
- How do customers get the offering?

Payment scheme

- How do customers pay for the offering?
- How often do customers purchase the offering?

The profit formula is defined by four elements



Revenue model

- How do we plan to make money?

Cost structure

- How are costs allocated?

Unit margin

- What sort of margins should each transaction net to achieve desired profit levels?

Resource velocity

- How quickly do resources need to be used to support target volume?

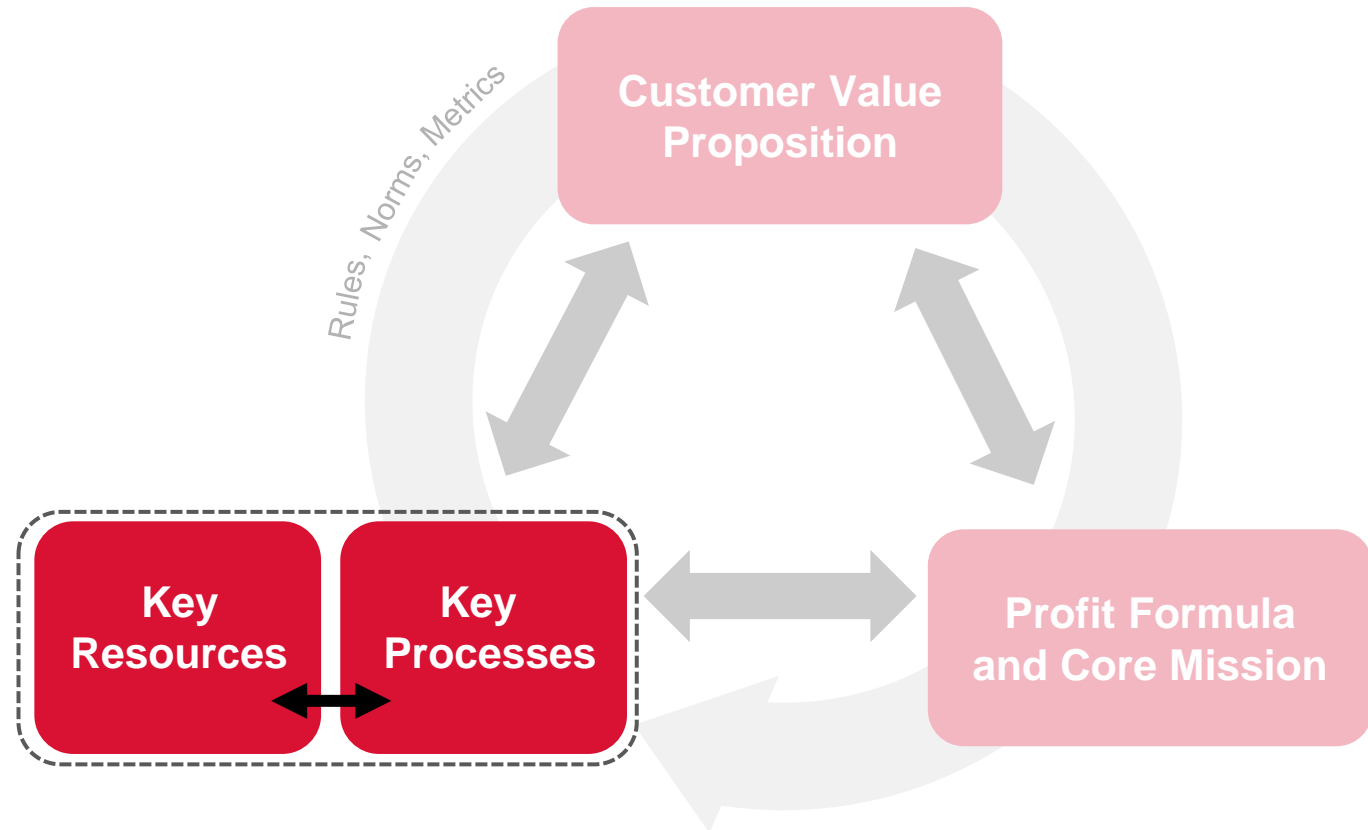
The delivery model consists of resources and processes

Resources

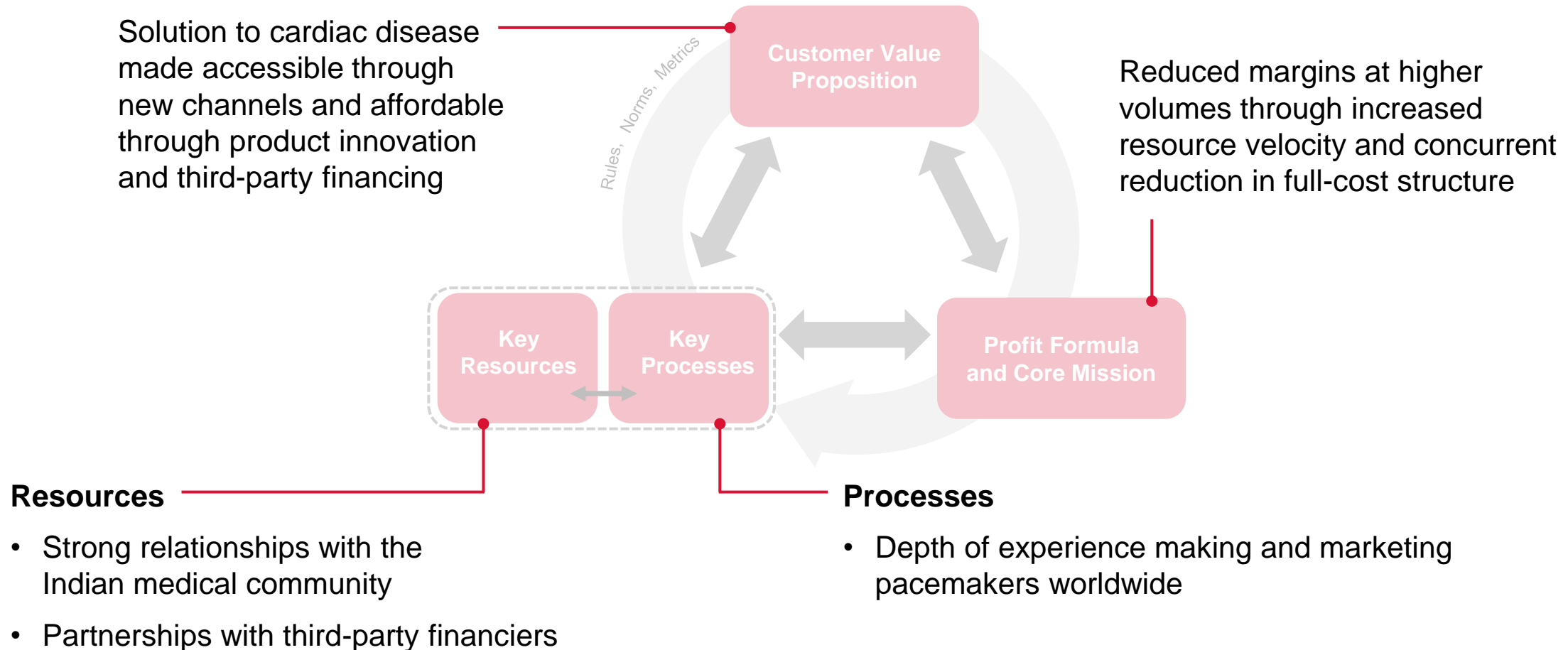
- People
- Technology
- Equipment
- Information
- Channels
- Partnerships
- Brand

Processes

- Design
- Product development
- Sourcing
- Manufacturing
- Hiring
- Training
- IT



Medtronic “Healthy Heart for All” Business Model





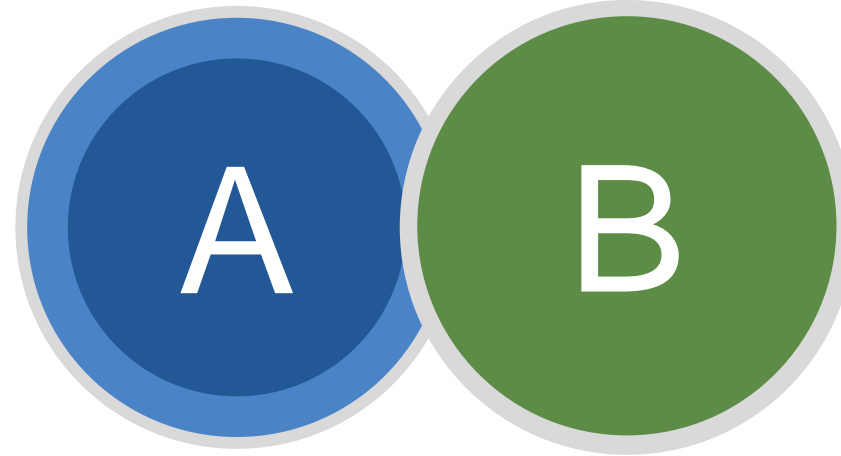
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Circumstances for Business Model Change



TRANSFORMATION A
Reposition Today

Compete on **Convenience** 

Compete on **“Affordability”** 

TRANSFORMATION B
Create Tomorrow

 Compete in **Non-traditional Markets**

 Create **New Markets**

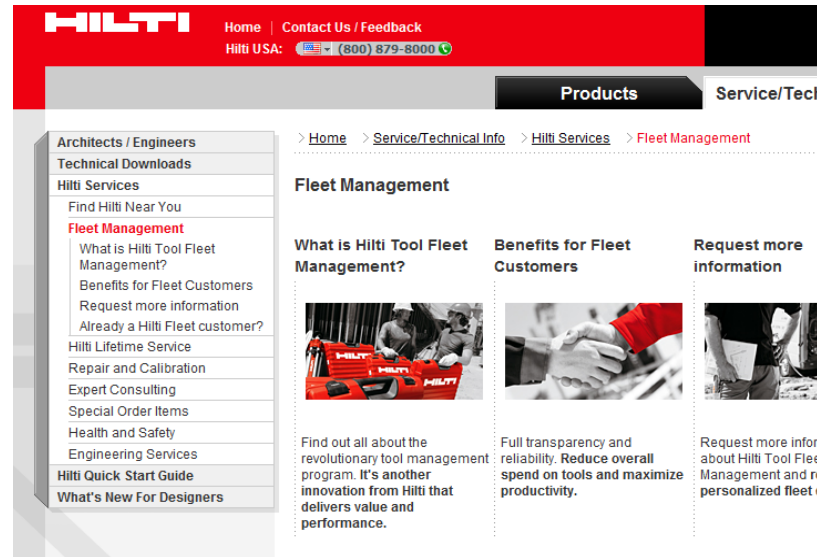
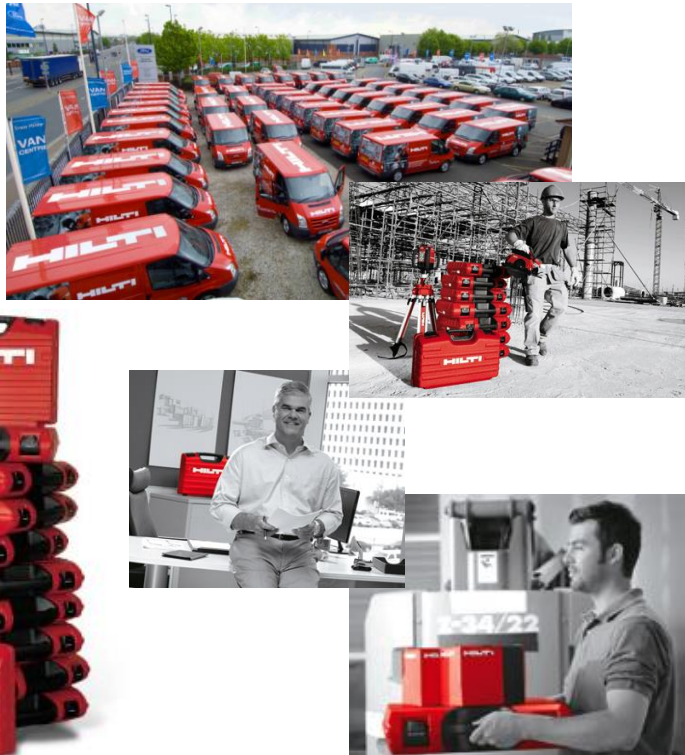


Competing on Convenience

The Hilti Fleet Management Solution



Subscription-based, comprehensive tool fleet management service offered to contractors to increase on site productivity



Financing

- A low monthly usage fee replaces a large upfront investment of cash
- Easy budgeting through predictable costs



No Cost Repairs

- No repair, service or calibration costs + unlimited battery replacements
- Fast and quality tool repairs by Hilti technicians



Loan Tools

- In the event of a breakdown, a complimentary loan tool is provided
- Eliminates temporary replacement costs



Online Tool Management & Labeling

- Add new tools, arrange repairs and manage your fleet online
- Each tool is custom labelled, incorporating your own company logo



Tool Exchange

- Ensures optimal performance and Health & Safety features
- Increases productivity through latest technology



Theft Coverage

- Limits financial exposure in the event of a theft
- Theft Protection System (TPS) included free of charge

Hilti: Business model innovation



Traditional Power Tool Company

Tool Fleet Management Services

Customer Value Proposition

Profit Formula and Core Mission

Key Resources

Key Processes

Power tools and accessories

Low margin,
high inventory turnover

Retail distribution

Fleet management to improve
on-site productivity

Subscription model covering
asset-heavy balance sheet

Direct Sales, Contract
Management, IT Systems



Competing on “**Affordability**”

Disruptive innovation in defense – enabling access and affordability



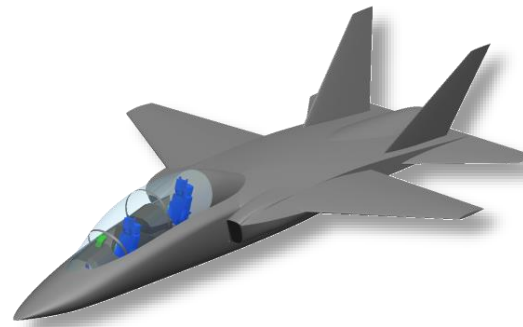
Low Cost UAVs



Google Earth



SUGV

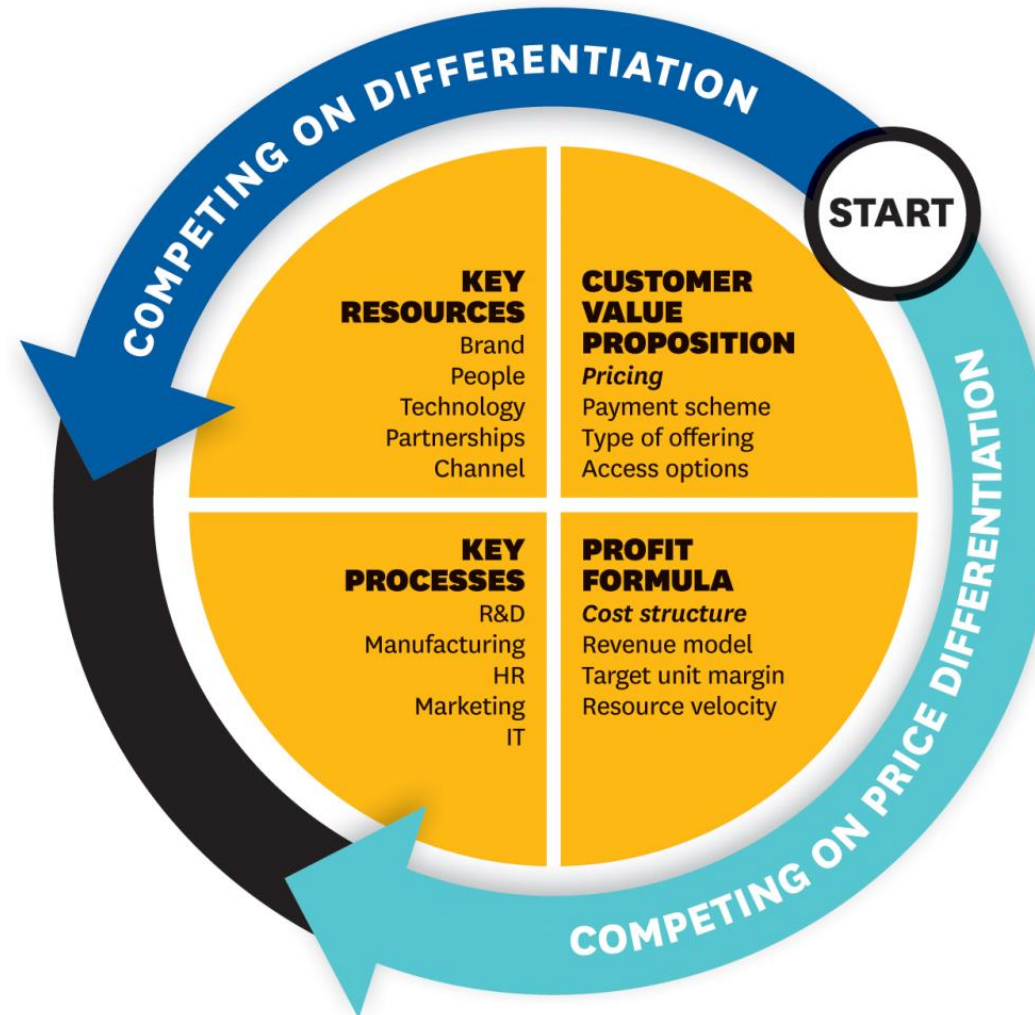


T-X Program



ROVER Handheld

Real “affordable innovation” means business model change





Competing in **Non-traditional Markets** / Creating **New Markets**

The Lockheed Martin Skunk Works Hybrid Airship



Lockheed Martin Hybrid Enterprises

Commercial opportunities called for a new business model



Aeronautics



Hybrid Airship

Customer Value Proposition

Profit Formula and Core Mission

Key Resources

Key Processes

- Government customer
- Competing on superior performance
- Sustaining/derivatives improvement

- Government accounting

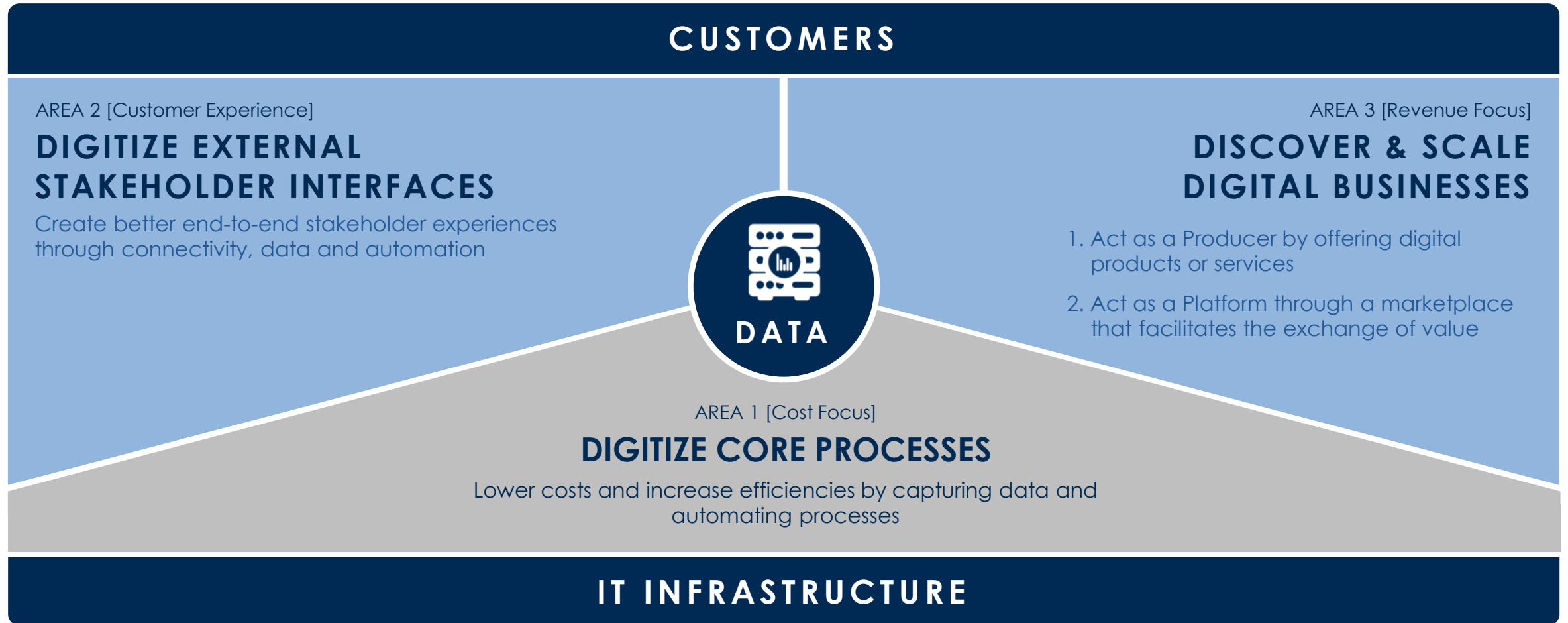
- Large-scale complex programs
- Cutting-edge engineering and manufacturing
- Program management
- RFP management

- Commercial customer
- Convenient, cost-effective access with limited or no infrastructure
- Direct delivery of goods

- Commercial accounting

- Commercial logistics
- Capital investment
- Sales and marketing teams
- Small, focused team
- SCM

Digital transformation enables companies to extract and create value across three areas





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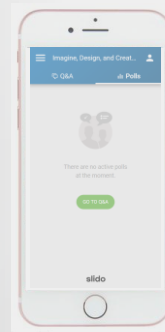
Interactive Poll: Do you have a defined process for developing new business models in your organization?

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Do you have a defined process for developing new business models in your organization?

0 3 0

No



Yes



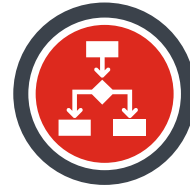
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Process for transformational innovation



JOBS TO BE DONE

What are the important, unsatisfied jobs to be done?



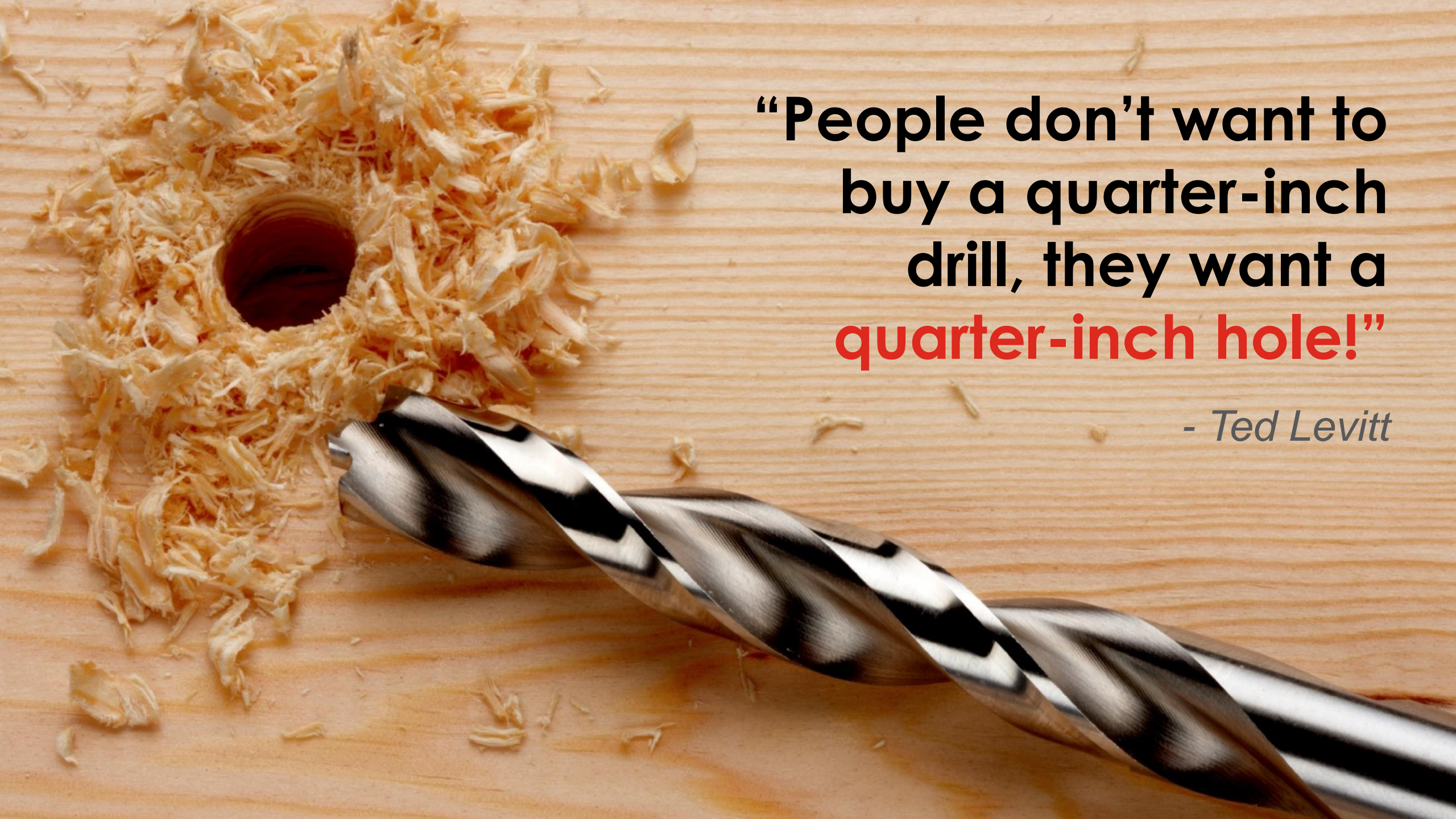
BUSINESS MODEL DESIGN

How can we design the business model to address these jobs?



TEST & LEARN

How can we efficiently test and validate our assumptions?



**“People don’t want to
buy a quarter-inch
drill, they want a
quarter-inch hole!”**

- Ted Levitt

Consider functional, emotional, and social jobs to be done

FUNCTIONAL

Describes how the consumer achieves a functional goal



“Get from where I am to where I want to go”

EMOTIONAL

Describes how the consumer feels or wants to feel



“Feel like I have a private driver”

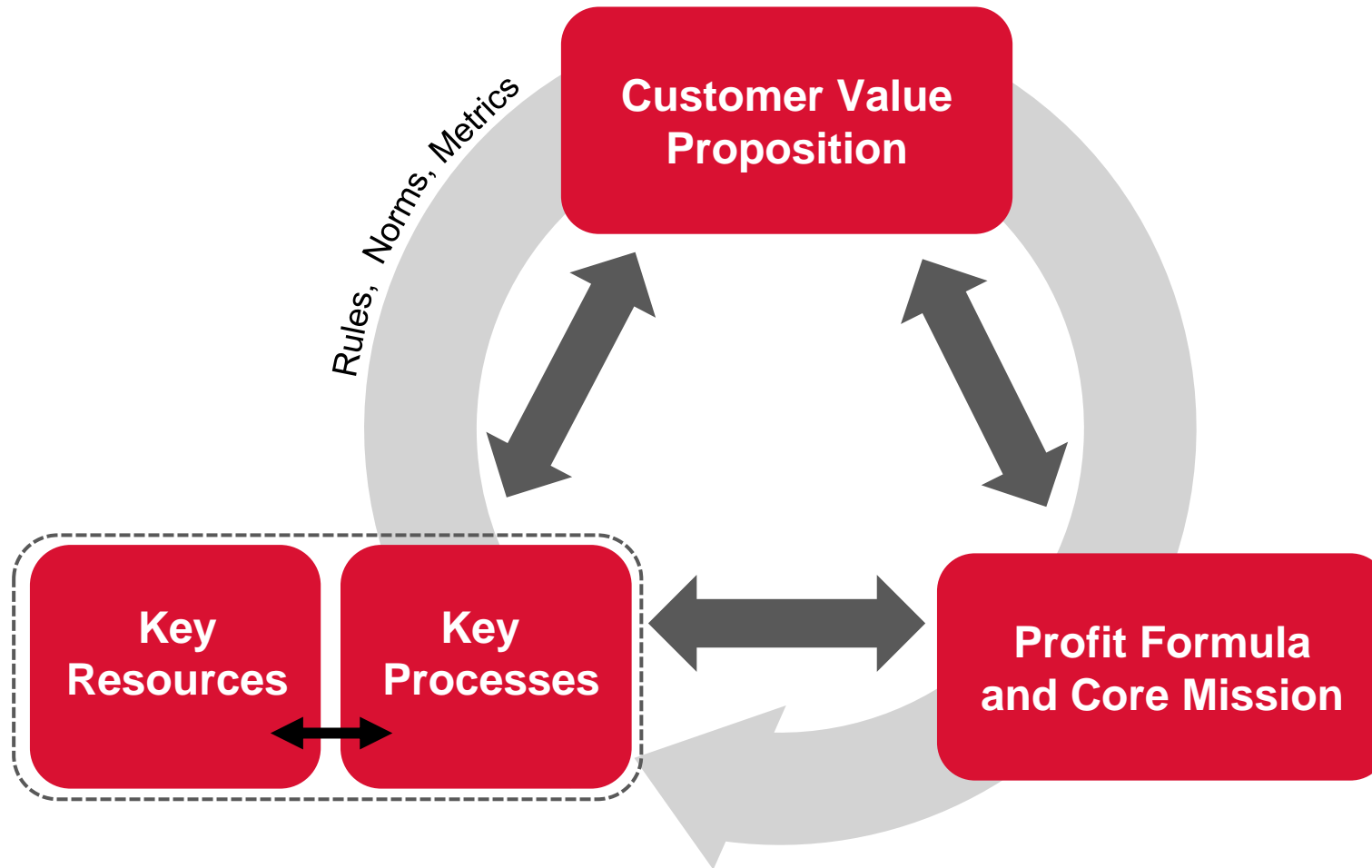
SOCIAL

Describes how the consumer wants to be perceived by others



“Show that I’m part of the digital generation”

Integrating the right business model behind the job



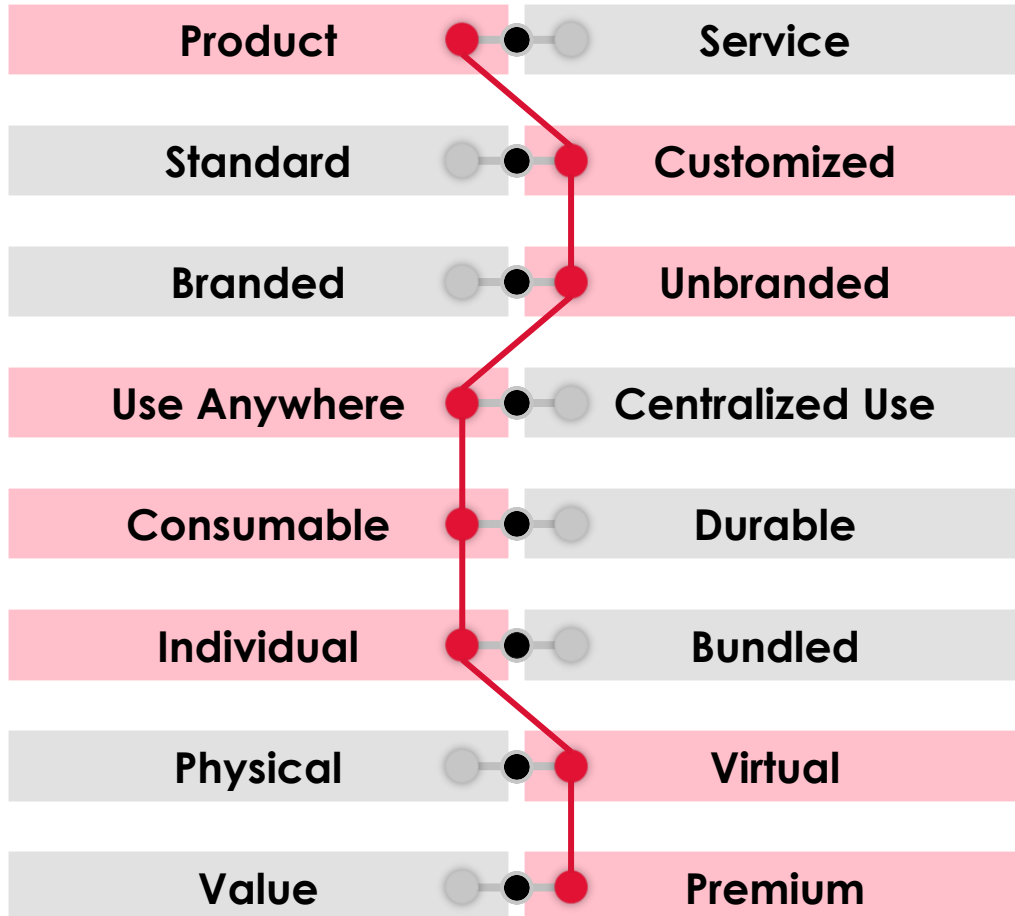
Business Model Canvas

CUSTOMER VALUE PROPOSITION (CVP)				OPERATING MODEL
PROBLEM or JOBS FORMULATED AS A POV	CUSTOMER/CONSUMER CIRCUMSTANCE	CUSTOMER ATTRIBUTES	SOLUTION	KEY RESOURCES
			CHANNELS	
		COMPETITION AND BARRIERS	PAYMENT STRUCTURE	KEY PROCESSES
PROFIT FORMULA				
REVENUE STREAMS AND ADOPTION				COST STRUCTURE
RISKS AND ASSUMPTIONS				

Consider the business model 'levers' you can pull

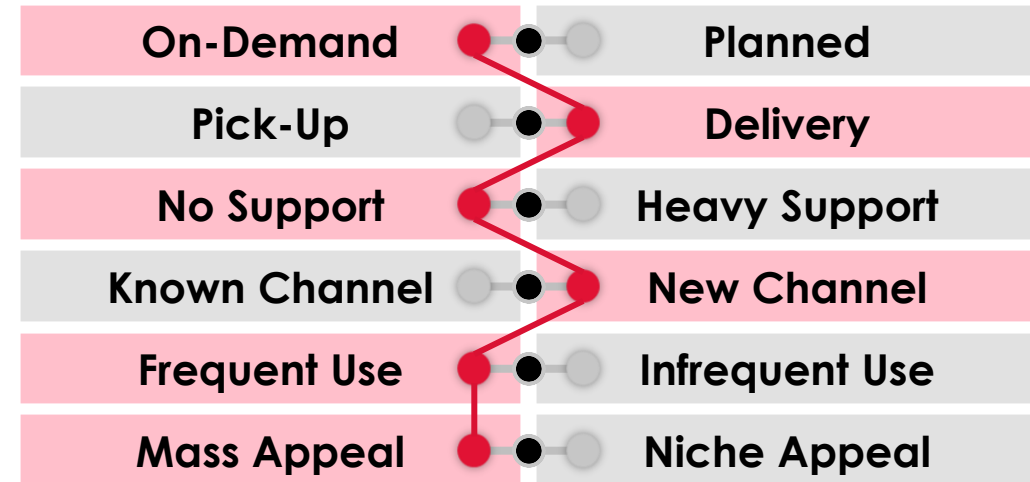
OFFERING LEVERS

What is the consumer buying?



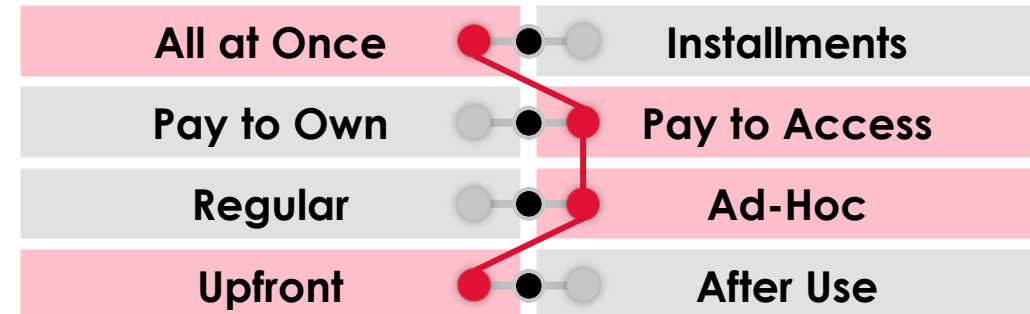
ACCESS LEVERS

Where do consumers access it?

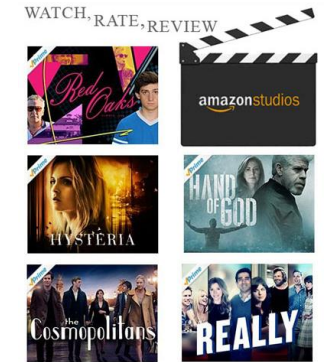
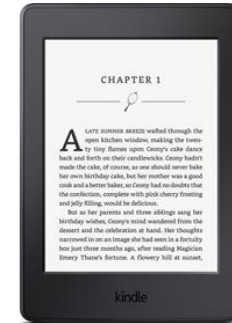


PAYMENT LEVERS

How do consumers obtain it?



Amazon.com – Built to transform





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