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Learning Advanced Industrial Technologies

Linking VET teachers and SMEs in the move towards
the Factories of the Future (Industry 4.0)

Friday 3rd November 2017

Leading Learning, Inspiring Success



Industry 4.0: Business Models

In general, the business model can be defined as a unit of analysis to describe *how the business works*.

More specifically, the business model is often depicted as an overarching concept how the different components of a business come together as a whole (Demil and Lecocq 2010; Osterwalder & Pigneur, 2010).

In other words, business models describe how the *magic* of a business works, based on its individual bits and pieces.

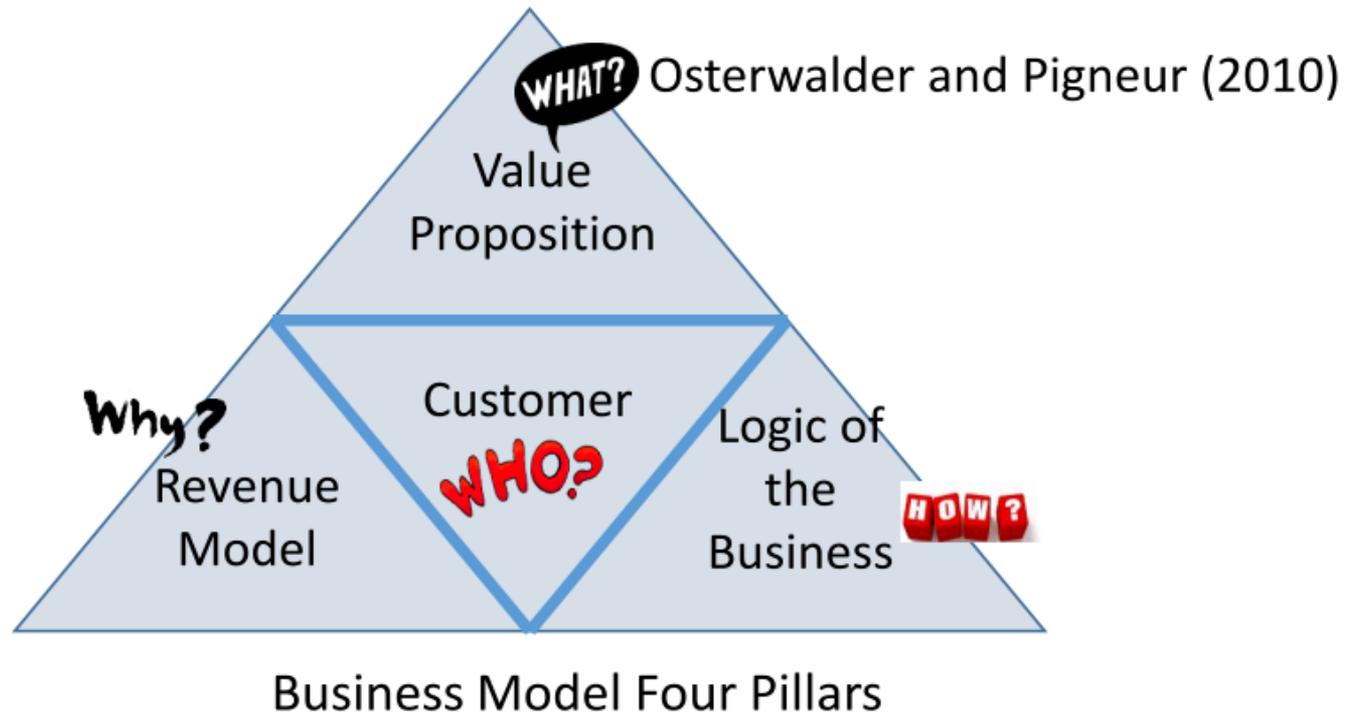
[Business models and Innovation](#)



Industry 4.0: Business Models

- An abstract representation of a business. Essentially it refers to the way a company makes money, and business modelling is the art of testing a set of interlocked hypotheses for how a company creates and captures value.
- It's used to describe and classify businesses and can be used to explore possibilities for future development.
- Well-known & Innovative business models can operate as creative "recipes"
- Every organisation has a business model: From local corner shop, D&A College and in the Digital World.
- Business Models are in the news when they **disrupt** sector practices (Uber).
- **Over the years, business models have become much more *sophisticated*.**
- **Today, the type of business models might depend on how *technology* is used**

Four Pillars



Business Model Canvas

Know and Understand:

- Key Partners
- Key Activities
- Key Resources
- Value Propositions
- Customer relationships
- Channels
- Customer Segments

The Business Model Canvas

Designed for:
Designed by:
Date:
Version:

Key Partners	Key Activities	Value Propositions	Customer Relationships	Customer Segments
	Key Resources		Channels	
Cost Structure			Revenue Streams	

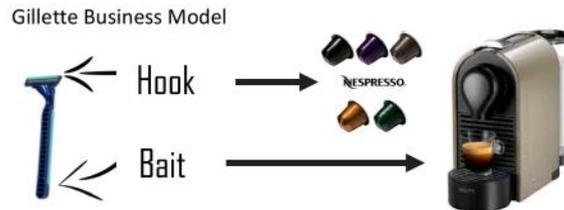
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Examples

..since 1904 Gillette has been giving away razors to next to nothing but selling its blades to exceedingly high prices..



.. Nespresso creatively imitated this pattern, selling cheap coffee machines and expensive coffee and revolutionized the coffee industry

The Bait and Hook Business Model (aka "razor and blades" business model) involves offering a basic product at a very low cost, often at a loss (the "bait"), and charging compensatory recurring amounts for refills or associated products or services (the "hook").

Examples include:

- razor (bait) and blades (hook);
- computer printers (bait) and ink cartridge refills (hook);
- Nespresso machine (bait) and pods (hook).

Case Study: Rolls Royce

Pay Per Performance Model

Rolls-Royce makes highly sophisticated and costly gas turbines

Previously utilised “traditional” business model i.e. sell equipment to the customer.

After selling the equipment, the company offered maintenance and parts to its customers, which often provided the bulk of its profitability

Independent servicing firms and competing jet engine manufacturers began winning lucrative aftermarket business

Rolls-Royce decided to dramatically change its business model.

Started selling the utility of the equipment – providing the engine then charge based on hourly use. Included in this fee are all of the services and parts required to keep the engine running and safe

Fundamental change in Rolls-Royce’s business model - made possible the ability to measure and monitor equipment usage - Data Driven Business Models

Case Study: Ulma

From Direct Sales to Renting

Develop business strategies

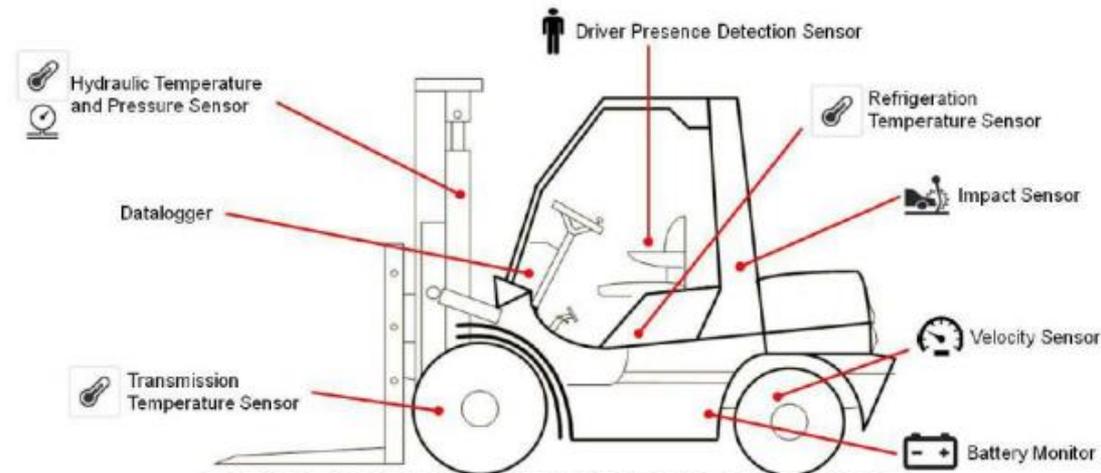
- (a) From direct sales to product / service solutions (1999-2008)
- (b) Renting (2009-2015)

Whole of life services:

- New Sales
- 1st second hand
- 2nd second hand

Refurbishments

Data captured during life of machines



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