

# Innovative business models

**Business models** come in many different forms ... Think beyond “make and sell” to explore licensing, subscriptions, reversals, one for ones, and more ... Redesign your whole business to accelerate growth.



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# LEADING THE FUTURE

We used to just think a business simply made things, and sold them. Now its much more complicated. Or rather, there are many more innovative ways to achieve success ...

The term "**Business Model**" is over used and under defined. Business models explain how organisations work – how do they create value for customers, and in doing so how they create value for all other stakeholders. They can map the current business, or explore options for the future.

Maker models	Channel models	Crowd models	Payment models	Exchange models	Asset models
<b>Make and distribute</b> business model eg CocaCola Microsoft	<b>Spectrum retail</b> business model eg Amazon Marks & Spencer	<b>Membership club</b> business model eg Costco, Quintessentially	<b>Subscription payment</b> business model eg FT.com, Graze	<b>Buyer and seller marketplace</b> business model eg Etsy, NYSE	<b>Advertising or Sponsorship</b> business model eg Google, Metro Newspapers
<b>Make and sell direct</b> business model eg BMW, HSBC	<b>Niche retail</b> business model eg ToysRUs, Wiggle	<b>Crowdfunded ventures</b> business model eg Kickstarter, Zidisha	<b>Regular Replacement</b> business model eg Gillette, Nespresso	<b>Collaborative consumption</b> business model eg Buzzcar, Regus	<b>Listed or Promoted</b> business model eg Monster Linkedin
<b>License to make</b> business model eg ARM, Ed Hardy	<b>Curated retail</b> business model eg Fab, Positive Luxury	<b>Opensourced community</b> business model eg RedHat, MySQL	<b>Shared rental</b> business model eg Zilok, Hilton	<b>Branded Consortia</b> business model eg Cisco, Spar	<b>Network builders</b> business model eg Hotmail, Twitter
<b>Demand then Made</b> business model eg ZaoZao, Threadless	<b>Auction retail</b> business model eg eBay, Sotheby	<b>Multilevel marketing</b> business model eg Tupperware, Natura	<b>Freemium pay within</b> business model eg Angry Bird, Coursera	<b>Tradeable currency</b> business model eg Bitcoin Air Miles	<b>Reputation builders</b> business model eg Tripadvisor, PaywithaTweet
<b>Knowledge and time</b> business model eg McKinsey, Harvard	<b>Franchised retail</b> business model eg McDonalds, Subway	<b>Group buying</b> business model eg Groupon, Huddlebuy	<b>Pay as you go</b> business model eg AzuriTech Techshop	<b>Transaction facilitator</b> business model eg Paypal, Visa	<b>Customer data</b> business model eg Facebook, 23andMe
<b>Certification and endorsement</b> business model eg ISO, Verisign	<b>Remainder retail</b> business model Eg Saks, Vente Privee	<b>Reverse auction</b> business model eg Priceline Freemarkets	<b>Micro payments</b> business model eg Flattr Grameen Danone	<b>Dynamic pricing</b> business model eg Expedia, Uber	<b>Non-profit business</b> business model eg Oxfam Wikipedia

The approach originates from mapping “value networks” in the 1990s, understanding the systems across business and its partners through which value (both financial and non-financial) is created and exchanged – by who, how and for whom. I remember working with Pugh Roberts to create a multi-million dollar dynamic model for Mastercard which showed varying any one driver – such as interest rates, or branding - affected everything else. And thereby being able to test new ideas and optimise the model.

Business models represent the dynamic system through which a business creates and captures value, and how this can changed or optimised.

Henry Chesbrough described business models in his book Open Innovation positioning it as the way in which a business applies a technical innovation in order to perform better – which market, what proposition, how it works, and makes money, and why it’s different. When working for British Airways and launching a low-cost carrier called Go, I remember the need to think differently about the audience, what would motivate them, and the entirely different infrastructure

required to make it possible and profitable at such low prices. The business model was the real innovation.

Business models are a configuration of the building blocks of business, and their creative reconfiguration can be a significant innovation.

Business models became fundamental to business strategy, driven by them but often driving them. Hambrick and Fredrickson's Strategy Diamond is all about aligning the organisation, achieving an economic logic between strategic choices. When I have worked in complex organisations like Amex or Microsoft it is amazing how often there is little "connected thinking" between choice of customers and products to develop. They lack alignment across departments and strategically.

Business models help to align the business, matching the right strategies for outside and inside, using the proposition as the fulcrum, and profitability as the measure of success.

Business models can often appear very mechanical, lacking emotion and easy to imitate. In 2001 Patrick Staehler, in particular seeking to explain the new breed of digital businesses, created a business model "map" driven by the value proposition, enabled by the value architecture, creating economic value and sustained by cultural values. The last point here is most interesting, in that it captured the distinctive personality of a business, its leadership styles and ways of doing business. This is much harder to copy, and also sustains the other aspects.

Business models are sustained through a culture that brings the logic to life, and sustains it by giving it meaning and personality.



Alex Osterwalder's subsequent Business Model Canvas emerged as the most common template on which to map a business model. He popularised the approach so much so that his supersized canvas now features in workshops throughout the world, always with an array of multi coloured sticky notes as teams debate the best combination of solutions for each box. Whilst the canvas lacks the sophistication of value driver analysis and dynamic modelling, it is about testing hypothesis in each aspect, and how they could work together, and that respect works as a thinking model.

Business models have become a practical tool for rethinking the whole business, seeing the connections and then innovating the business. In fact they offer a great platform to facilitate new strategy and innovation thinking. That's why we've created the Business Innovation Program, which combines design thinking, new business models and strategic implementation - a great way to engage your team, to think about new ways to grow, and to create the future, practically.

In the "Business Innovation Lab" we explore at least 64 different business model templates which could transform your business. We start with the customer, to explore emergent needs and behaviours, shaping better propositions and solutions, then exploring how to deliver them commercially, and as engaging customer experiences. The technique brings together the best elements of other approaches (adapting Osterwalder's model to make it more customer-driven, proactical and commercial, and adding techniques such as design thinking, value proposition definition, channel fusion, and financial modelling).

New business models are the most effective way to transform organisations, to innovate the whole way in which the business works. Inspired by a new generation of businesses – Airbnb to Uber, Dollar Shave Club to Netflix – we see dramatically new business models in every market, through collaborative platforms, data analytics and personal recommendations, or subscription-based payments. Anybody can copy your product or service today (in fact they probably do, before you even launch it). Business models are a source of more lasting and significant competitive advantage and future growth.

Be bold, be brave, be brilliant.

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**Peter Fisk** is an expert advisor, keynote speaker, and bestselling author. He has over 25 years of experience working with business leaders in every sector across the world. He is professor of strategy, innovation and marketing at IE Business School. Explore more about his experience, insights and ideas, case studies and workshops at [www.theGeniusWorks.com](http://www.theGeniusWorks.com)