

PUTTING BUSINESS MODELS ON THE TEST

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When was the last time you used a conventional, physical road map or dictionary? Do you remember listening to music on cassette tapes? Do your kids read newspapers? Do you leave the house without your smartphone? These examples from the realm of digitalization illustrate how new technologies have taken a major part in our daily lives.

What do the most valuable enterprises of the world, as measured by market capitalization – namely, Apple (\$797 billion), Google (\$654 billion), Microsoft (\$488 billion), Amazon (\$454 billion) and Facebook (\$438 billion) – have in common? All five of these US companies engage in digital technologies. Only the “dinosaurs”, Apple and Microsoft, have also been dealing with hardware aside from software for about 40 years now. The other ones are purely internet companies and not older than 25 years, just like, by the way, the most valuable Chinese company Tencent (\$298 billion).

A quick reminder: The five most valuable companies in the year 2000 take positions further down the line today: General Electric resides on #13, Exxon Mobile on #7, Pfizer on #21, Cisco Systems on #41 (!) and Wal Mart on #24.

Digitalization is the power unit of our information age. Through the internet, it is globally present – online for 24 hours a day, 7 days a week. Costs for market entry and distribution are low. Digitalization boosts technological progress and makes new business models possible, thus also influencing bigger things.

However, digital innovations do not only lead to continuous progress in a gradually developing world. The rapid and cross-sectoral changes seem to have an almost disruptive character. For instance, digital cameras churned up whole industries in the world of photography, film production and media in general. Also, dental prostheses are not being provided by the dental technician next door or delivered from Hungary or China anymore. Today, your dentist prints your custom-made prosthesis made out of porcelain ink with his 3D printer.

New and revolutionary business models were, partly, only made possible through peer-to-peer internet platforms, like a service for accommodations without own hotels (airbnb) or the biggest taxi company without own vehicles (Uber).

How can I keep in pace with the times as an entrepreneur?

There are two aspects that every entrepreneur has to be highly aware of now:

- Continuously and repeatedly putting their own business model on the test and
- Instructing and motivating their own employees to stay technologically awake and keep the business model of the company up to date.

In regard to the dimensions of the business model, the four W-questions have to be clearly answered. Who are our customers? What is our value proposition to them? What does our value chain look like? What values does our revenue mechanism bear? These “simple truths” have to be closely observed in the world of the internet. Who seriously assumed that the end consumer orders their pair of shoes from Zalando instead of going to the retailer and trying them on first?

Continuous market observation as well as the implementation of new technologies has to be in the focus of the whole company. It should not be a mere issue of responsibility for the boss or the department of research and development. Panoramic vision works best when everyone is participating. The awareness for necessary change and the self-motivation of the employees will steadily rise.

With this toolkit, every business can face the new technological possibilities and challenges:

- The Internet of things allows the control of physical and virtual units and devices.
- With sensor technology, individual units can, for instance, react to movements of other units and devices.
- The term Industry 4.0 describes the digital interconnectedness of multiple machines or even whole factories.
- Blockchains allow secure online transactions.
- Algorithms and artificial intelligence are the core elements of digital progress. Everything that repeats itself can be converted into an algorithm. Instances without defined patterns can be deconstructed with artificial intelligence.
- Big Data can be used to explore customer data.

We gladly support you in finding for your own business model of the future.