



InnoModel Guidelines

Business Model Innovation in Seven Points

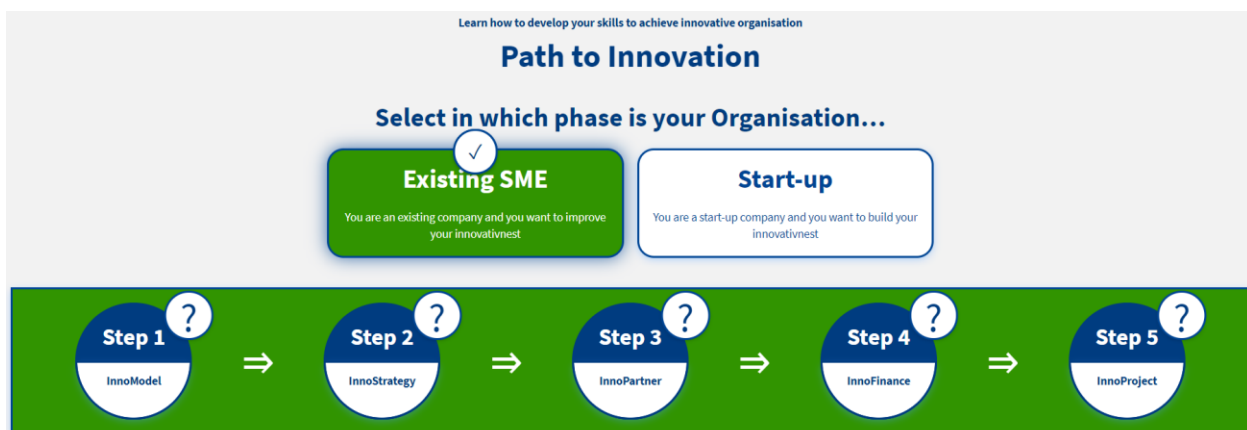
1. All existing companies have a Business Model. Not all, however, are aware of the same.
2. All Business Models can be visualized. The **Business Canvas Model** is one of the most comprehensive visualization tools.
3. The business model of a company comprises of three elements:
 - How the company creates Value?
 - How is the Value delivered? and
 - How is the Value captured?
4. Business Model Innovation is a change in the three elements of the business model. It is an innovation of a product/service+ innovation of a process+ marketing innovation + organizational innovation.
5. New business models cannot be just visualized. One can try the "Trial and Error Principle", or strategically approach the change through InnoStrategy.
6. Business model innovations do not necessarily require the development of completely new concepts. More than 90 percent of all business model innovations are new combinations from parts of "old" or "other" business models.
7. Business model innovations have the potential to revolutionize industries.

Concept of InnoModel

InnoModel is knowledge derived from the business canvas model.

The **main aim** of the InnoModel is to provide a snapshot of the current business model of SMEs and start-ups as a reflection of their strategic approach, i.e. business strategy.

The **objectives** of InnoModel is twofold and depends on the phase of SME development. All **existing enterprises** have a Business Model, but one cannot strategically innovate without a well-developed strategy for change. Therefore, Step 1 for an existing small and medium enterprise is to visualize its business model and explore ideas how the same could be changed and innovated.



The visualization of the business model for the **start-ups** usually comes after exploring the product idea and strategy (Step 2). It is because the product idea and the process of its validation affect the business model of the enterprise.



Elements of InnoModel

InnoModel uses the form of the Business Canvas Model divided into the three elements of the Business Model.

1. How the company creates Value?

- Key Activities,
- Key Resources,
- Key Partners,

2. How is the Value delivered?

- Value Proposition,
- Customer Relationship,
- Customer Segment,
- Distribution Channels

3. How is the Value captured?

- Cost Structures, and
- Revenue Streams.



How the company creates value?

Key Resources

Resources can be broadly categorized as **physical** (assets such as business equipment), **intellectual** (knowledge, brands, patents, know-how, etc.), **financial** (funds flows and sources of income) or **human**.

The enterprise should answer the following basic questions:

- What key resources does their value proposition require?
- What resources are important the most in distribution channels, customer relationships, revenue stream?

Key Partners

For both, SMEs and startups it is important to create alliances with partners, for example when competing in market and combining knowledge, and specialization. Essential information will be acquired by knowing in advance which partners may constitute a valuable relationship.

The enterprise should answer the following basic questions:

- Who are the key partners/suppliers?
- What are the motivations for the partnerships?

Key Activities

The most important activities in achieving company's value proposition are not limited to the **production** and **services**, but also about a **problem-solving approach**, **networking** and the **quality** of the product and/or service.

The enterprise should answer the following basic questions:

- What activities are important the most in distribution channels, customer relationships, revenue stream?
- What key activities does their value proposition require?

How is value delivered?

Value Proposition

The value proposition is what distinguishes the company from its competitors. This distinction focuses on issues such as *price, service, speed and delivery conditions* on one hand, and on the other on *quality* including design, brand status and customer experience and satisfaction.

The enterprise should answer the following basic questions:

- What core value do SME deliver to the customer?
- Which customer needs is SME satisfying?

Customer Relationships

Various forms of customer relationships include: **personal assistance, dedicated personal assistance, self service, automated services, communities, co-creation.**

The enterprise should answer the following basic questions:

- What relationship that the target customer expects the SME to establish?
- How can SME integrate that into their business in terms of cost and format?

Customer Segments

Various segments can be divided into the following categories: **mass market, niche market, segmented, diversify, multi-sided platform / market.**

The enterprise should answer the following basic questions:

- Which segments of users is the enterprise creating values for?
- Who is the enterprise most important customer?

Distribution Channels

Each organization deals with *communications, distribution and sales channels*, which describe the ways in which the SMEs communicate with their customers.

The enterprise should answer the following basic questions:

- Through which channels the customers will be reached?
- Which channels work best? How much do they cost? How can they be integrated into your and your customers' routines?

How is the Value captured?

Cost Structure

By exploring the cost structure, a SME will estimate what the minimum turnover must achieve to make a profit. The cost structure considers *economies of scale, constant and variable costs and profit advantages*. Often an organization will choose the trade-off between using or deleting a number of key resources in order to decrease the costs.

The enterprise should answer the following basic questions:

- What are the most cost in their business?
- Which key resources/ activities are most expensive?
- For what value are the customers willing to pay?

Revenue Streams

In addition to the cost structure, the revenue streams will provide better understanding of the revenue model of a SME. The revenue streams are *the most important cost drivers*. There are several ways to generate a revenue stream: **asset sale, usage fee, subscription fees, lending/leasing/renting, licensing, brokerage fees, advertising**.

The enterprise should answer the following basic questions:

- For what value are their customers willing to pay?
- What and how do they recently pay? How would they prefer to pay?
- How much does every revenue stream contribute to the overall revenues?

KEY PARTNERS	KEY ACTIVITIES	VALUE PROPOSITIONS	CUSTOMER RELATIONSHIPS	CUSTOMER SEGMENTS
<p>Who are the key partners/suppliers?</p> <p>What are the motivations for the partnerships?</p>	<p>What activities are important the most in distribution channels, customer relationships, revenue stream?</p> <p>What key activities does their value proposition require?</p>	<p>What core value do SME deliver to the customer?</p> <p>Which customer needs is SME satisfying?</p>	<p>What relationship that the target customer expects the SME to establish?</p> <p>How can SME integrate that into their business in terms of cost and format?</p>	<p>Which classes is SME creating values for?</p> <p>Who is SME's most important customer?</p>
	KEY RESOURCES		CHANNELS	
	<p>What key resources does their value proposition require?</p> <p>What resources are important the most in distribution channels, customer relationships, revenue stream?</p>		<p>Through which channels the customers will be reached?</p> <p>Which channels work best? How much do they cost?</p> <p>How can they be integrated into your and your customers' routines?</p>	
COST STRUCTURE		REVENUE STREAMS		
<p>What are the most cost in their business?</p> <p>Which key resources/ activities are most expensive?</p> <p>For what value are the customers willing to pay?</p>		<p>For what value are their customers willing to pay?</p> <p>What and how do they recently pay? How would they prefer to pay?</p> <p>How much does every revenue stream contribute to the overall revenues?</p>		

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