

Ubiquitous Business Model mapped from Internet Business Model

Professor Tony Kim

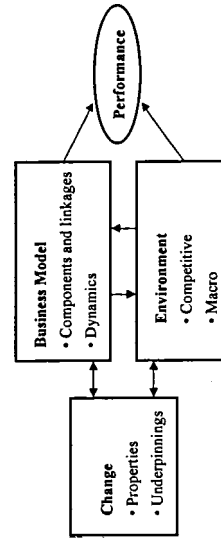
March 23, 2005

Hongik University

Why are firms in business?

- General Manager's primary responsibility is the performance of the firm
 - What is Firm Performance?
 - Performance often means profitability
- Why adopt technology?
 - Primary goal is to gain and maintain a competitive advantage
 - Having a competitive advantage means earning a higher rate of return than rivals
- Determinants of firm Performance ?

Determinants of performance



Business Model

- Method the firm builds and uses its resources to
 - Offer customer better value than competitors
 - Make money doing so
- Enabler for sustainable competitive advantage (SCA)
- System of
 - Components
 - Linkages between components
 - Dynamics

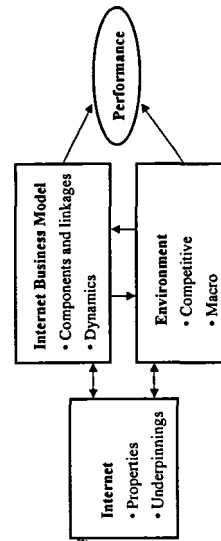
Environments

- Competitive Environment
 - Rivals
 - customers
 - Suppliers
 - Substitute
 - New entrants
- Macro Environment
 - Government policies
 - Natural environments
 - National boundaries

Change

- Indirect
- Impacts business models or their environments
- Source of change
 - Competitors, suppliers, customers, demographics, macro environments or firm itself, ..
 - Underpinning technologies,
- Creative destruction (JA Schumpeter)
 - Radical , architectural or disruptive change type
 - Internet , Ubiquitous technology, BT,...

Internet performance



The Internet

- Internet properties
 - Transform the competitive landscape of many industries
 - Create whole new industries
- Impact on 5C's
 - Coordinate, Commerce, Community, Contents, Communicate
- Potential
 - To influence established ways of conducting business
 - To create new ways
 - To create new business

Internet Business Model

- What is IBM? Method ?
- System (components, linkages & dynamics)
- Category

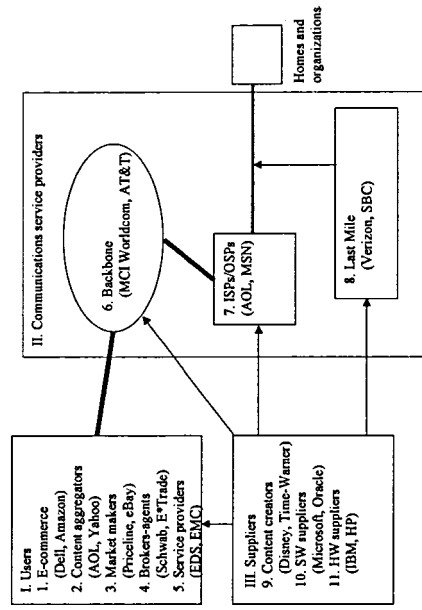
Internet Business Model

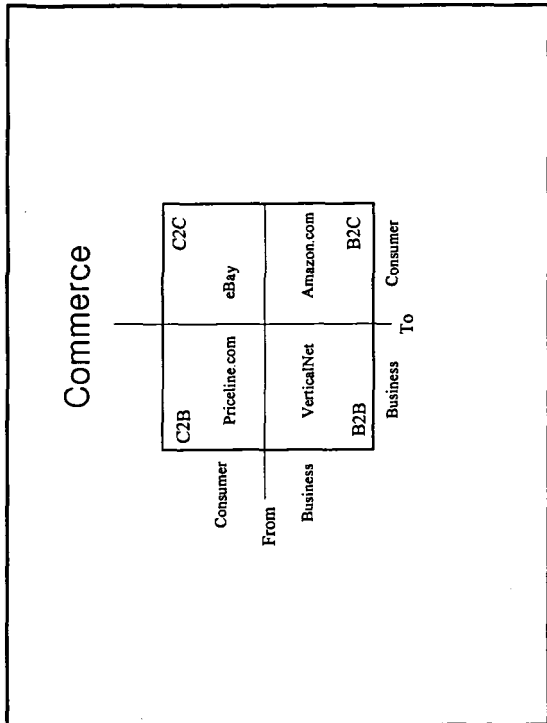
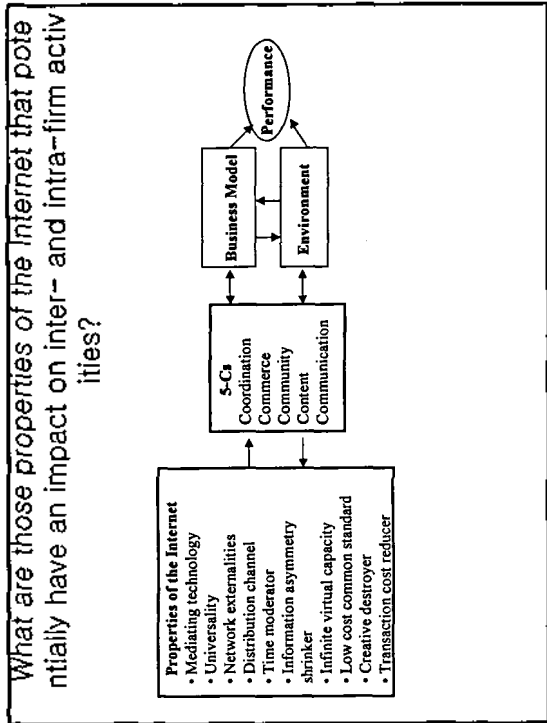
- Method
 - A firm plans to make money long term using the Internet
- System (components, linkages & dynamics)
 - Takes advantage of the properties of the Internet to make money
 - Resilience , flexibility , ability to take advantage of change
- Category
 - Pure play
 - Clicks-and-mortar

Internet properties

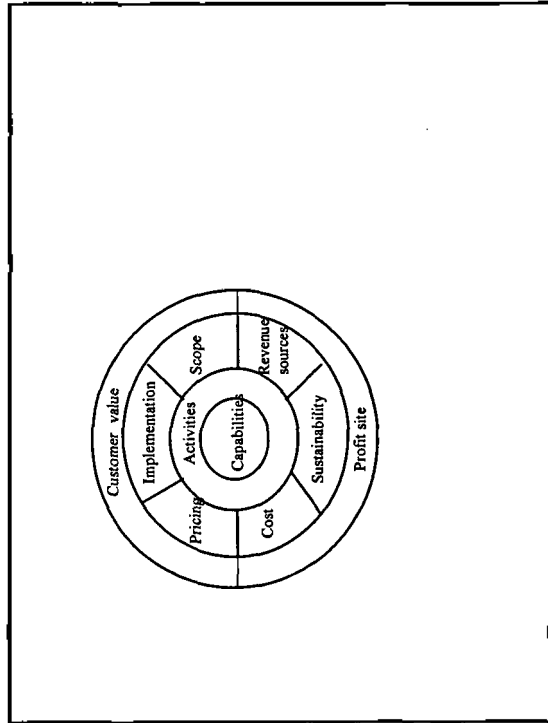
- 10 Internet properties that transform the competitive landscape in many industries
 - Mediating technology, universality, network externalities, distribution channel, time moderator
 - Information asymmetry shrinker, infinite virtual capacity, low cost standard, creative destroyer, transaction cost reducer
- Impact on the 5 C's
- Limitation of internet

Value network profit sites with representative companies





- ### Successful Business Model
- High Customer Value
 - Complementary Scope
 - Control over Pricing
 - Defensible Sources of Revenue
 - Consistent Connected Activities
 - Unique, Inimitable Capabilities
 - Excellent Implementation
 - Sustainability for the Future
 - Low cost
 - Correct profit site



Critical Business Model Questions

Component of business model	Questions for all business models	Questions specific to Internet business models
1. Customer value	Is the firm offering its customers something distinctive or lower cost than its competitors?	What is it about the Internet that allows your firm to offer its customers something distinctive? Can it allow you to solve a new set of problems for customers?
2. Scope	To which customers (demographic and geographic) is the firm offering this value? What is the range of products/services offered that embody this value?	What is the scope of customers that the Internet allows your firm to reach? Does the Internet alter the product or service mix that embodies the firm's products?
3. Pricing	How does the firm price the value?	What is it about the Internet that makes pricing different?
4. Revenue source	Where do the dollars come from? Who pays for what value and when? What are the margins in each media and who drives them? What drives value in each source?	Are revenue sources different with the Internet? What is new?

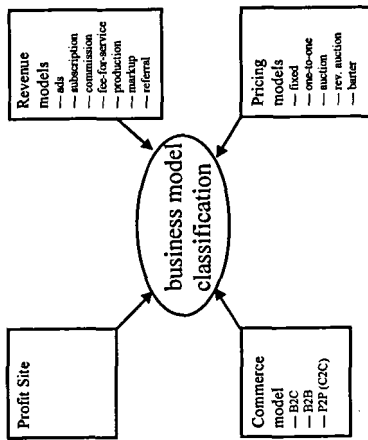
9. Profit rate	What is the relative (dis)advantage of a firm vis-à-vis its suppliers, customers, rivals, complementors, potential new entrants, and substitutes?	What is the impact of the Internet on the firm's relative (dis)advantage over its suppliers, customers, rivals, complementors, potential new entrants, and substitutes?
10. Cost structure	What drives costs in each component of the business model?	What is the impact of the Internet on those cost drivers that underpin the components of a business model?

5. Core cost activities	Which set of activities does the firm have to perform to offer this value and why? How come cost (in costs section and line) are these activities?	How many new activities must be performed as a result of the Internet? How much better can the Internet help you in performing existing activities?
6. Implementation	What organizational structure, systems, people and environment does the firm need to carry out these activities? What is the fit between them?	What does the Internet do to the people, structure, systems, strategy, and environment of your firm?
7. Capabilities	What are the firm's capabilities and capabilities gaps that need to be filled? How does a firm fill these capabilities gaps? Is there something distinctive about these capabilities that allows the firm to offer the value better than other firms and that makes them difficult to imitate? What are the sources of these capabilities?	What new capabilities do you need? What is the impact of the Internet on existing capabilities?
8. Sustainability	Why is it about the firm that makes it difficult for other firms to imitate it? How does the firm sustain its competitive advantage?	Does the Internet make sustainability easier or more difficult? How can your firm take advantage of it?

Summary of business model taxonomy

Business Model	Business Idea	Value Idea	Value Chain
Direct-to-Customer	Direct-to-customer sales	Value added to the customer	Direct-to-customer sales
Advertising	Advertising sales	Value added to the advertiser	Advertising sales
Matchup	Value added to the matchmaker	Value added to the matchmaker	Matchmaking
Production	Value added to production	Value added to production	Manufacturing, Distribution, Retail
Retail	Value added to retail	Value added to retail	Retail
Subscription	Value added to subscription	Value added to subscription	Subscription
Fee-for-service	Value added to service	Value added to service	Service

The basis of business models



3 major Properties of Ubiquitous Networks

- Expand exchange and share of visible knowledge.
- Community Power Up
- Tracking and monitoring

5 Ubiquitous Innovation in product and service

- Improve function or create new function
- Safe, convenient and customized
- Support user service throughout the lifecycle of a product
- Shift in added value from product to service
- Platform business (standardized)

Value creation and Ubiquitous Business Model

	personal	firm	public
Advantage of value creation	Enhance quality of life	Product Innovation	Transparent society and market creation
Exchange of visual knowledge	.distant learning .distant medical service		
Community power up	.web MD		
Context monitoring and tracking	.health monitoring toilet concierge	Intelligent asset management	Broad scope metering