CA THE INSTITUTE OF CHARTERED ACCOUNTANTS OF SRI LANKA

CATALYST 2015

COLLABORATE to COMPETE

36th National Conference of Chartered Accountants

Collaborate to Compete

Presented by

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University

Business Model Innovation: Collaborating to Compete

- Business Assets and Value
- Value Creation & Innovation
- Coopetition
  - ➢ Market-based Assets, Business Networks, Eco-Systems
- Business Model Innovation: Better Ways for Value Creation & Extraction
- How Accountants Could Think Differently

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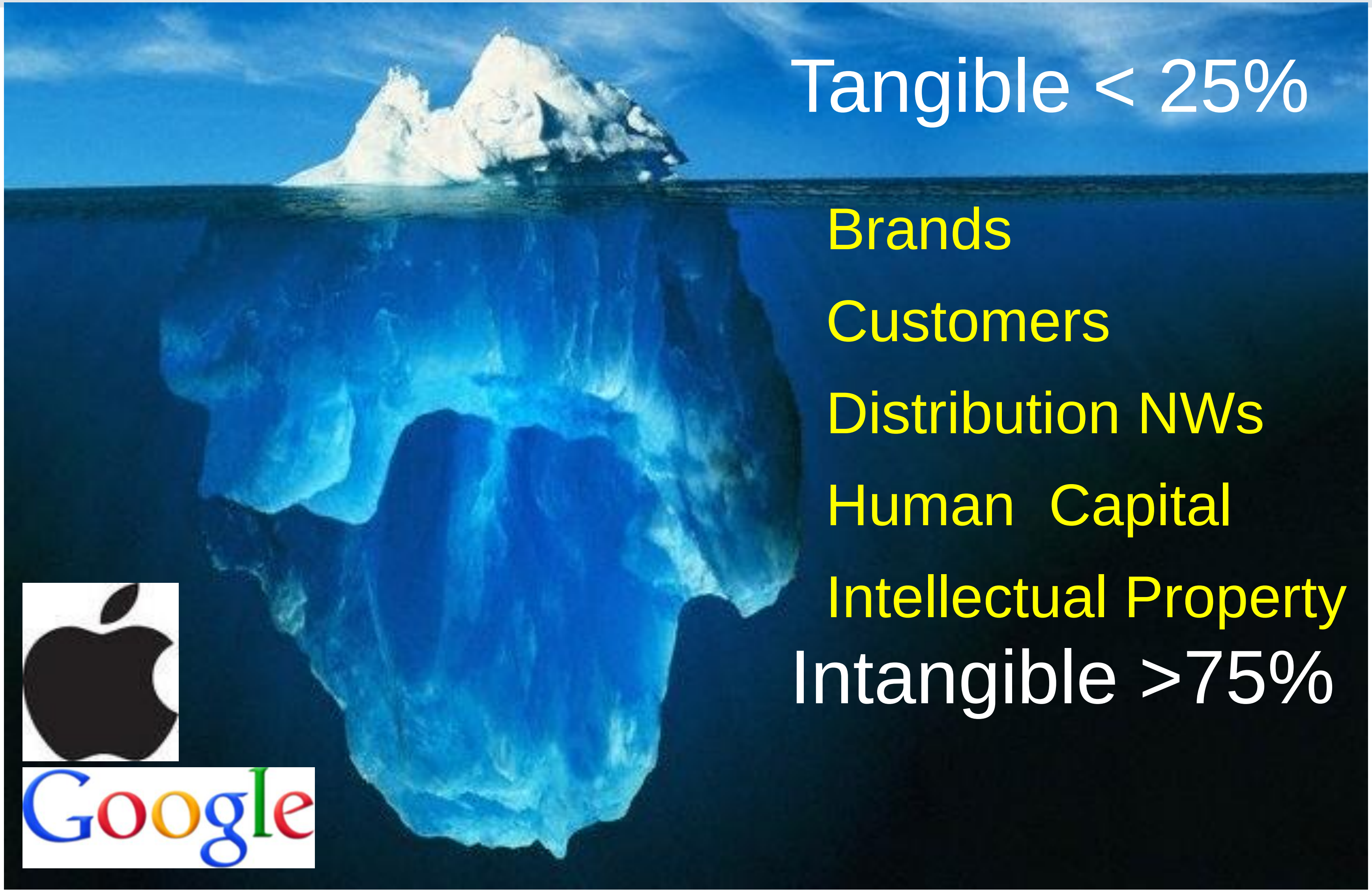
	M/B	P/E	P/CF	ROA	ROE	ROIC
AAPL	3.6	13.0	7.7	17.6	28.8	23.1
GOOG	4.6	33.4	22.8	11.9	15.5	14.0

Collaborate to Compete



Value Creation & Innovation

Value Creation and Innovation
How are we Creating Value?

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intel
gsk GlaxoSmithKline
BOEING

FOXCONN

FedEx
RYANAIR.COM
DELL

iPhone
Google
PORSCHE
Coca-Cola

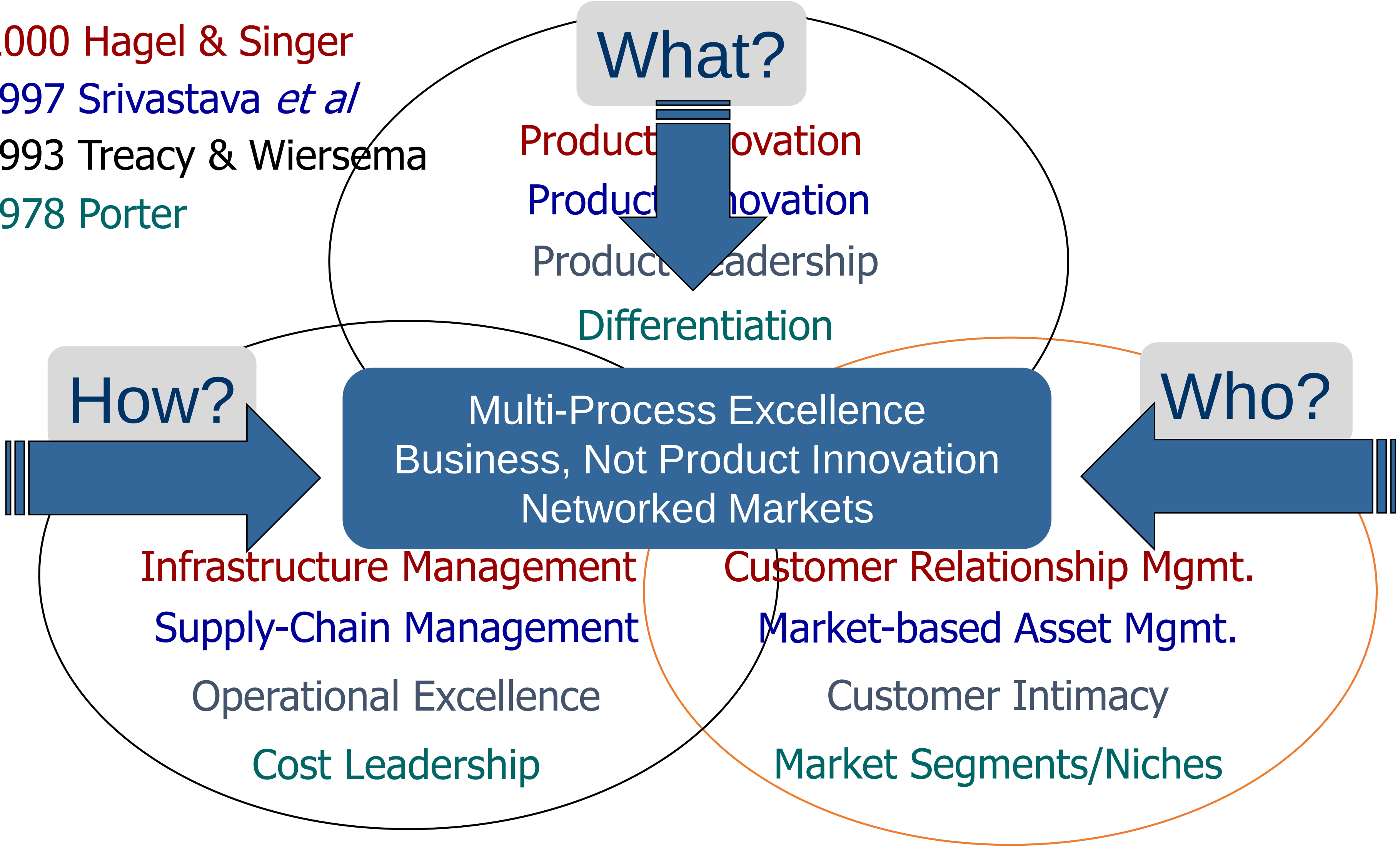
Value Creation Via Market-facing Business Processes

2000 Hagel & Singer

1997 Srivastava *et al*

1993 Treacy & Wiersema

1978 Porter



Innovative Customer-Facing Processes

Who?
Segments Targeted

What?
Products & Services

How?
(Services & Channels)

Apollo Hospitals
touching lives

Frugal, Reverse Innovation

"Product" vs. "Process" Innovation

MAYO CLINIC

THE UNIVERSITY OF TEXAS
MD Anderson ~~Cancer~~ Center
Making Cancer History®

Apollo Hospitals
touching lives

Fortis

ARAVIND
EYE CARE SYSTEM

Cisco ASR 901 Series Aggregation Services Routers

Environmental Challenges:
Heat, Dust and Blackouts
→ Reverse Innovation

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Disintegration of Computer Industry

The Evolution of Networked Markets & Coopetition

Equipment	IBM			Applied Materials, Nikon, Canon …	
Materials	IBM			Sumitomo, Monsanto, …	
Components	IBM	CDC	DEC	Intel, Micron, Hayes, Quantum …	
Product Design	IBM	CDC	DEC	IBM, Compaq, Dell, HP, …	
Assembly	IBM	CDC	DEC	IBM, Compaq	Solectron, Flextronics
Operating System	IBM	CDC	DEC	**Microsoft**	
Application SW	IBM	CDC	DEC	Applications SW: WordPerfect, Lotus, Microsoft	
Sales & Dist.	IBM	CDC	DEC	CompUSA/Retailers	Dell/Assemblers
Field Service	IBM	CDC	DEC	Independent Contractors	

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New Customers

Viral Marketing (Samples)

PC Manufacturers

Pre-Installation Licensing/Pricing

Installed Base

MS-DOS Upgrades

Co-Brand "Win-Tel"

Learn GUI from Apple
Leverage IBM Brand Equity
Price Below OS/2 & Sys 7

Competitors

Number of Applications
Co-Op Adv. (Design for W'95)
Support ($, Tools, SW Eng.)

SW Developers

Brand Value Networks and Eco-Systems

motorola SLVR

Tech Partners

BEST BUY
Thousands of Possibilities | GET YOURS

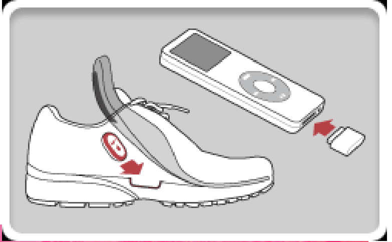
BOSE

Mercedes-Benz

iTunes + cingular

cingular
raising the bar

Service Providers



Content Providers

SONY BMG
MUSIC ENTERTAINMENT

Strategy replicated for iPad & iPhone (and by Google)

Collaborate to Compete

Google

lenovo

Taking a bit
out of Apple?

ANDROID

XIAOMI

T·H·C

SAMSUNG

Flipkart M-Commerce Innovation

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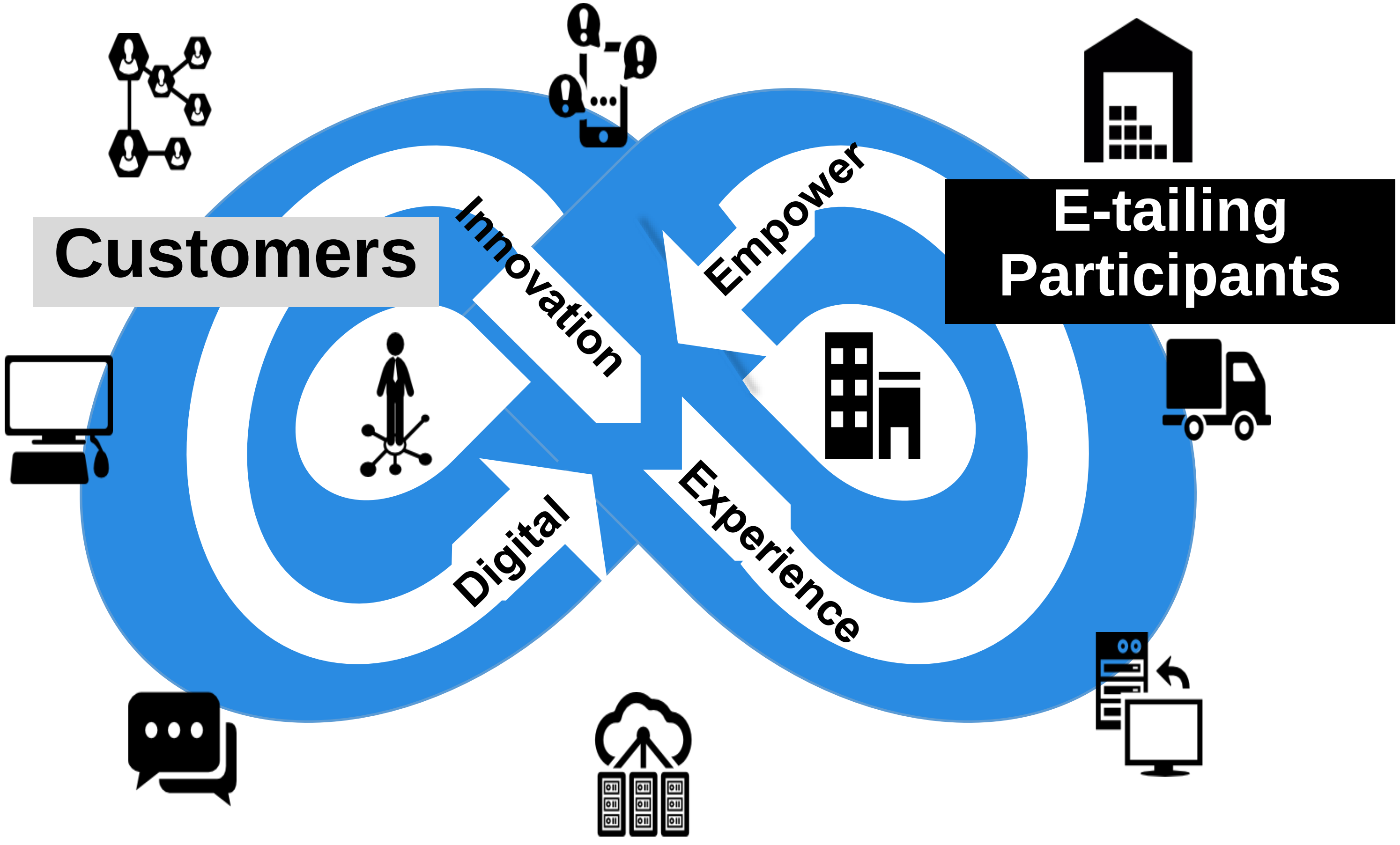
"e-commerce will enable local artisans from all over India to revive and expand their businesses and be a part of this **growing ecosystem**" ---- Ankit Nagori, SVP - Marketplaces Flipkart

more **people** across the country participating in online shopping on **mobile**

Easy connection with seller and buyer, **real-time parcel tracking**

Cash on Delivery to adapt customer preference



Competing in a Networked World

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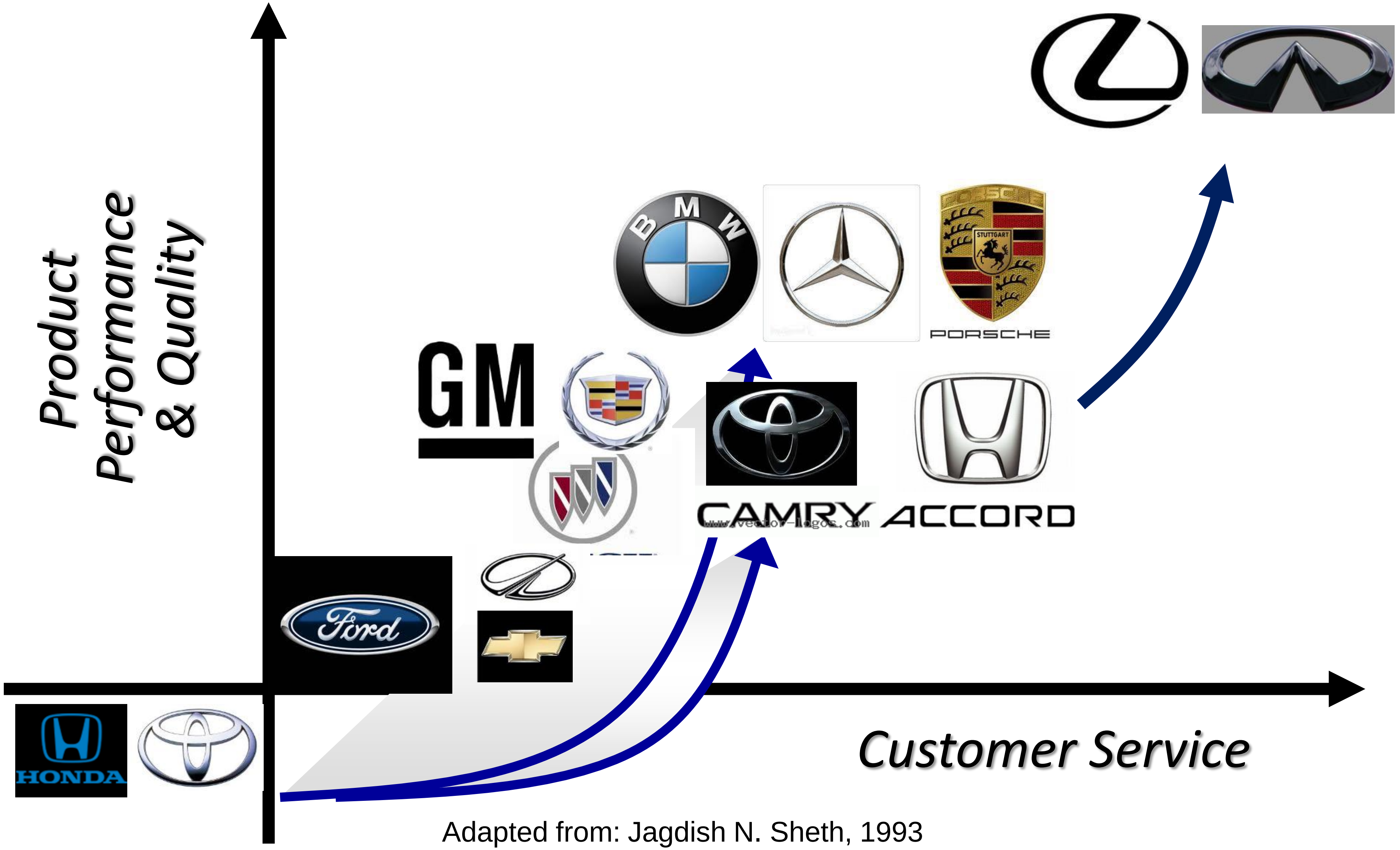
- Your customer installed base is a critical asset
- But, it's not clear who the customer really is – your competitor can be a customer or a partner as well
- It's Love and Hate: Coopetition
- It's Spider vs. Spider
- Product / service bundles help create unique value ➔ Integrate internal and market-based assets
- Customer solutions require Win-Win strategies; Solutions increase customer switching costs
- It's MARKET Not marketing management

Business Model Innovation & Corporate Performance

Value Migration in Automotive Markets



Adapted from: Jagdish N. Sheth, 1993

Brand Value Migration & Business Models

Customer Value-Centric Brand Innovations

Solutions ➔ Sustainability

Service Orientation ➔Longevity

Product Performance ➔ Price Premium

Quality (Branded Products)➔ Loyalty, WOM

Minimize Price and Costs ➔ Increase Share

Switching Costs

Value Migration: From Process Innovations to Branding

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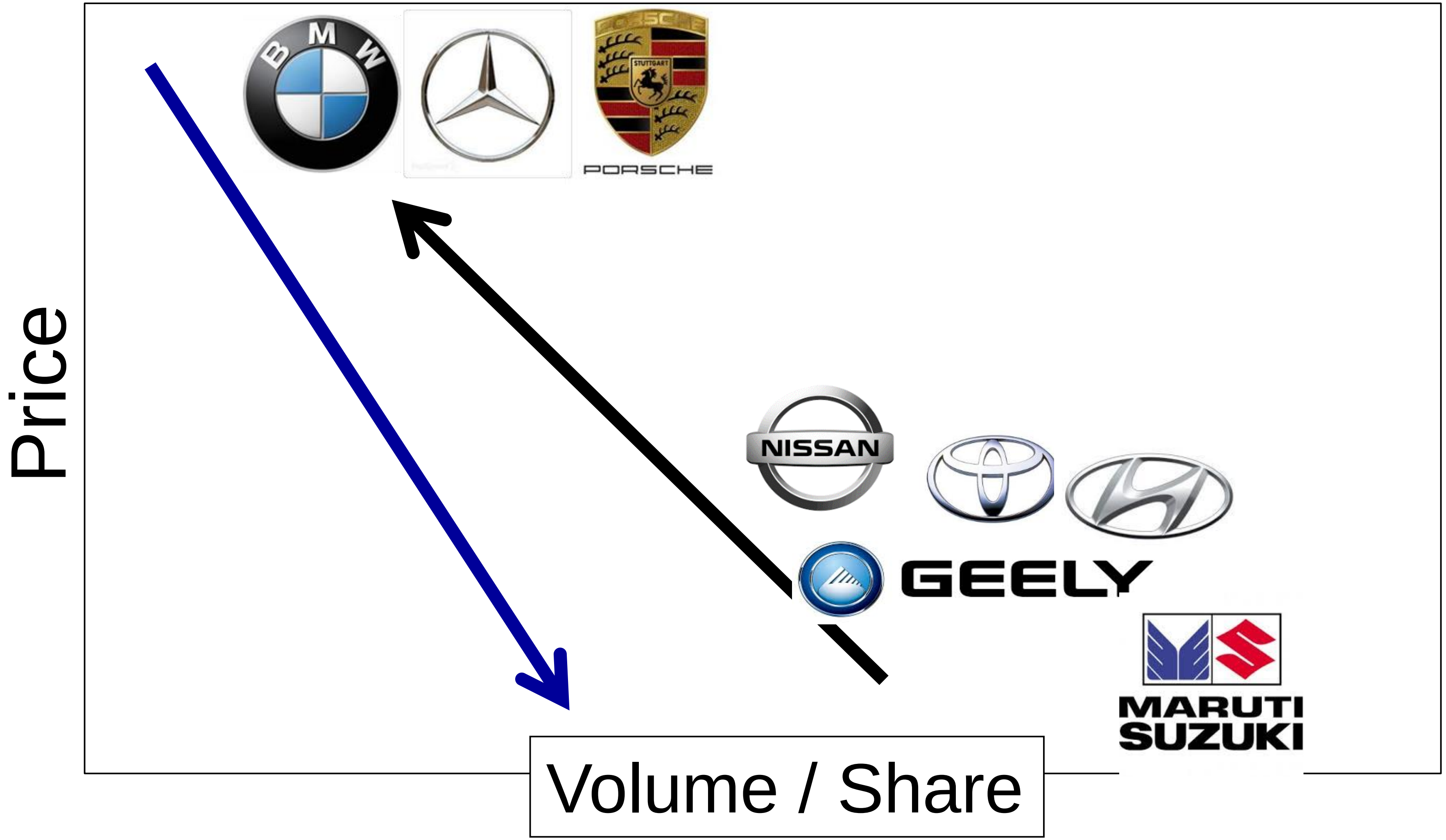


zipcar

AVIS Rent A Car

BARGAIN RENT A CAR

Europcar moving your way

SIXT rent a car

Hertz

CAR 2GO

enterprise rent-a-car

National Car Rental

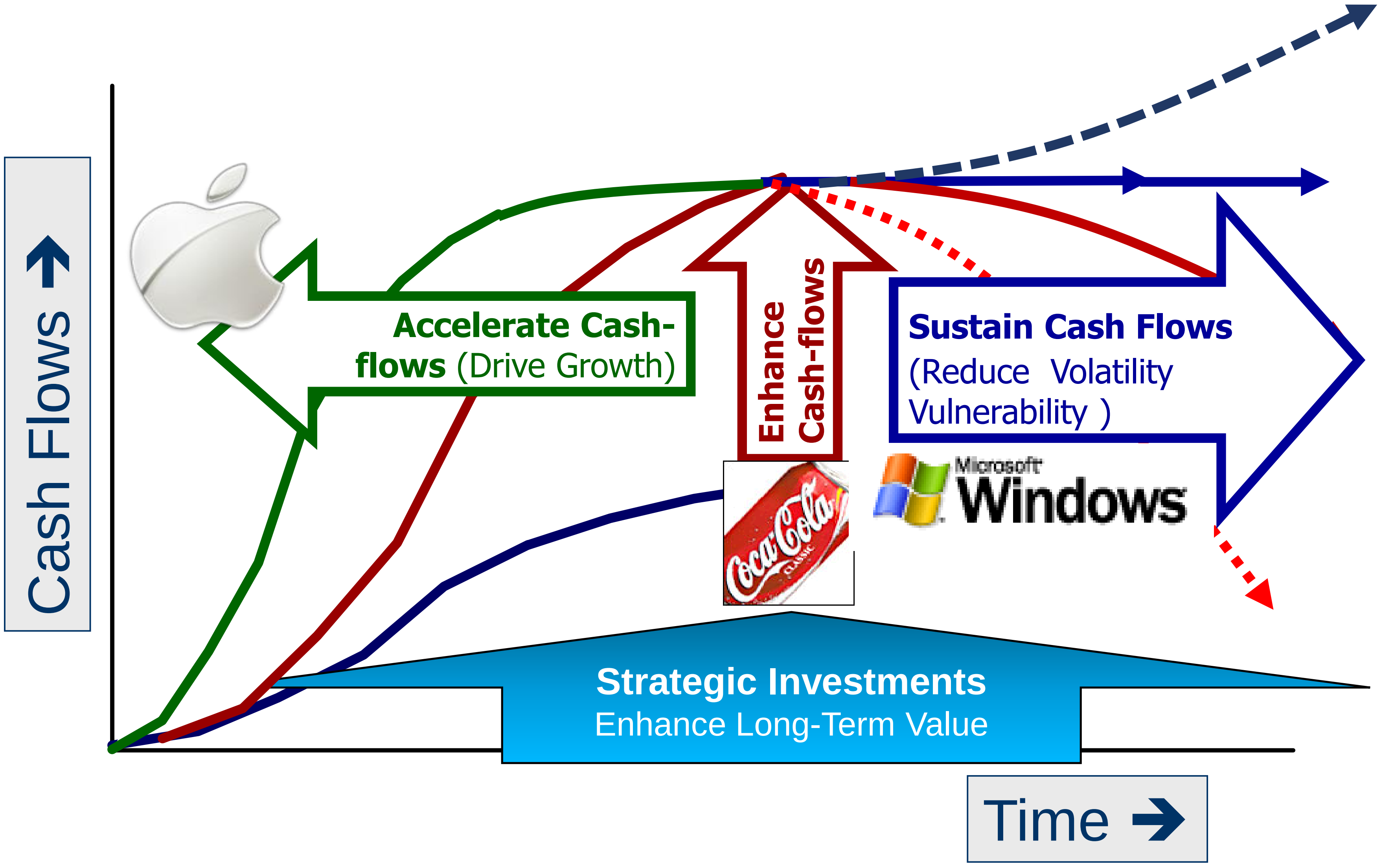
ADVANTAGE RENT A CAR

Budget Car Rental

CAR-TO-RENT

- No Fleet of its own, limited hard assets
- Drivers (car owners) get access to Uber APP
- Differentiated Services → Uber-X, Uber+, Uber-Black
- UBER charges 20% compensation on fare and driver keeps rest
- Dynamic pricing helps UBER charge premium during peak times
- Market-based assets → drivers and consumers (brand reputation and TRUST)

Extracting Value – Managing Business Performance



Takeaways for Accountancy

- Business Assets and Value
  - ✓ Unique Insights (IP) → Advisory, Consultancy, Law, Certification
  - ✓ New Metrics – Value of Human Capital, IP, Brand
  - ✓ YOUR Key Assets = Customers - Brand, Trust, Reputation
- Value Creation & Innovation
  - ✓ Who → SMEs more viable – Digital Markets = Lower Costs
  - ✓ What – Intangible Assets (help clients identify and track HC, IP, Brand Value), Legal/Compliance Products & Advisory Services
  - ✓ How – Multiple Channels? Customer engagement?
  - ✓ Where – Global Markets

Takeaways for Accountancy

- Coopetition
  - ✓ Market-based Assets - Partnerships with Lawyers, Domain Experts (e.g., Insurance)
  - ✓ Business Networks & Eco-Systems (e.g., Services across the supply-chain); Partner with Educational Institutions
  - ✓ Greco-Roman Culture, Emotion and Politics → PPP, Countries, Companies
- Business Model Innovation: Better Ways for Value Creation & Extraction
  - ✓ Focus on both LT and ST Performance Metrics
  - ✓ Balanced and Unbalanced Scorecards

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Thank you!