

### 3.1.3 Business Model Navigator

- **Aim**

In economic, social, cultural, or any other context, a business model outlines how an organisation develops, delivers, and captures value. Business model construction and modification is also known as business model innovation. Thus, Business Model Navigator (BMN) – or business model innovation – is a structured way to better understanding the key factors of business model success and supporting business model innovation. This model has been successfully applied in several organisations to date e.g., *'An aspiring field such as New Space really benefits from the Business Model Navigator™ because the market will be defined by a variety of innovative business models – going through all the possibilities is a real competitive advantage!'* – Dr Henning Roedel, NASA Ames Research Centre (Gassmann *et al.*, 2014).



HE teachers will need to explain why it is critical to know exactly which client groups are crucial to the company. Also, which ones will and will not be addressed by the existing business model. The overall purpose of their BMN lecture should be to communicate to students the broad concept of BMN, followed by its application and use. Through numerous procedures and activities, teachers will develop a greater grasp of the value proposition in action. BMN is made up of these processes and activities, as well as related resources and competencies, and their coordination along the company's value chain.

- **Description**

According to Gassmann *et al.*, (2014), BMN is the power of recombination and creative replication by means of 55 business model patterns, which can serve as blueprints for any business model innovation efforts. The University of St. Gallen developed this Magic Triangle, which has four dimensions (Who-What-How-Why). The goal is to get clarity on the type of client segmentation, value proposition, value chain, and profit mechanism, as well as to make the business model understandable, all while setting the groundwork for future innovation. As adjusting one corner entails adjusting the other two, the triangle is known as a 'magic' triangle. In summary, a BMN defines who your customers are, what you are selling, how you produce your offering, and why your business is profitable. Who-what-how-why describes a business model of which the first two (who and what) address its external aspects and the second two (how and why) address its internal dimensions?

- **Key Features**

All four key features of BMN as explained as follows:

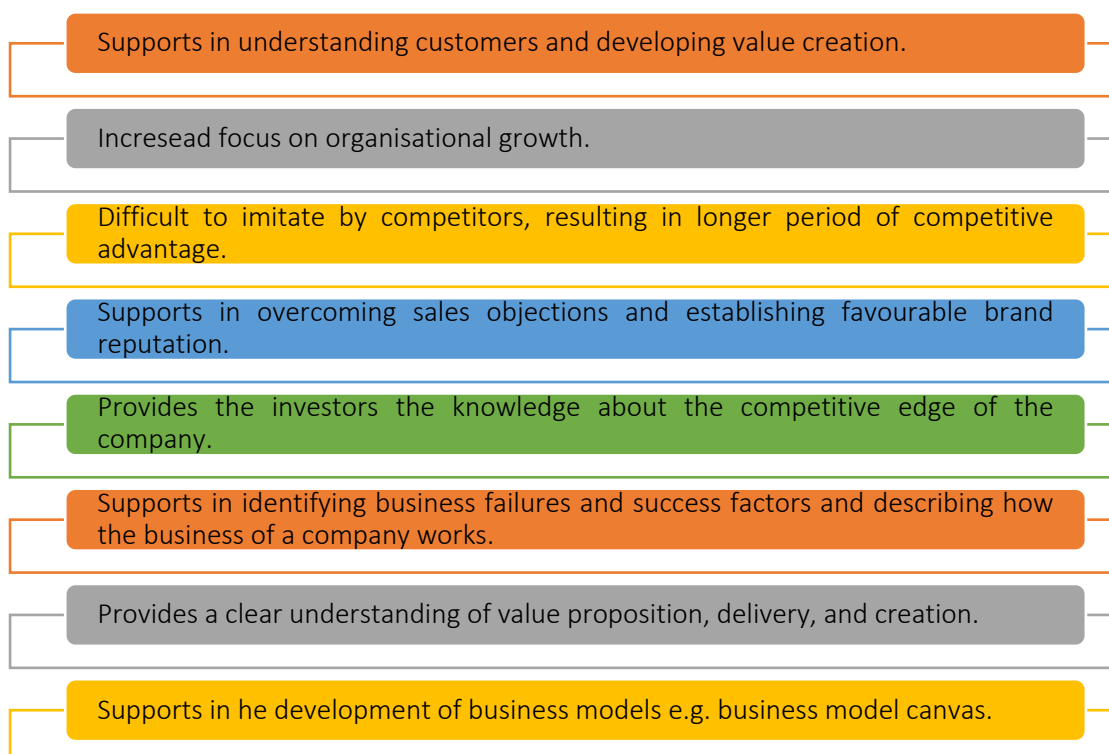
- **Who (i.e., the customer):** Every business concept caters to a specific clientele? As a result, it should be able to answer the query, "Who is the customer?". We

highlight the definition of the target customer as one fundamental dimension in building a new business model, based on the assumption that “*failure to correctly describe the market is a critical element linked with venture failure*”.

- **What (i.e., the value proposition):** The second-dimension outlines what the target consumer is supplied, or, to put it another way, what the customer values. The customer value proposal, or simply the value proposition, is a term used to describe this concept. It can be defined as a comprehensive perspective of a company’s bundle of customer-valued products and services.
- **How (i.e., the value chain):** A company must master several processes and activities to create and spread its value offer. The third dimension in the design of a new business model is comprised of these processes and activities, as well as the resources and competencies involved, as well as their orchestration inside the focus firm's internal value chain.
- **Why (i.e., the profit mechanism):** The fourth component, value, illustrates why the company model is financially sustainable, and hence is linked to the revenue model. In essence, it unites components such as the cost structure and applied revenue techniques, and it speaks to the fundamental question of each business, namely, how to make money.

- **Benefits**

Adopting the BMN has several advantages:



**Figure 9:** Benefits of BMN

By implementing BMN practices, organisations can reap favourable outcomes from these abovementioned benefits and acquire a significant competitive edge. From the

latter point of view, HE teachers and students using this tool in classroom, following is a glimpse of how it will benefit them and enrich their understanding on the use of BMN.



**Figure 10:** Benefits for Teachers and Students in Using the BMN Tool

- **Implementation**

The value concept is central to the BMN. One of the functions of a business model is to act as a link between a technology or an idea and its users. A business model, in simple terms, is a way of capturing and delivering value to customers. This mediating principle lies at the heart of the BMN, and it can be viewed as a source of strength. From theory to practice, the main question is how organisations can implement and make use of BMN. BMN is an action-oriented methodology that permits any company to break with its dominant industry logic and innovate its business model. It has been shown to work in all manner of organisations, industries, and companies. It builds on the central idea that successful business models can be constructed through creative imitation and recombination. HE teachers can explain the use and applicability of this tool in a classroom setting by the using the following steps:

- **Describe the Purpose/Problem Definition**
  - **General Overview:** In the start, management needs to describe the rationale for adopting BMN, what problem(s) needs to be addressed. Basically, the management needs to the re-examine the motivation for implementing business model innovation practises, as well as the

difficulties that must be solved. The fundamentals of a proposition are simple to comprehend, such as (WHO) is the target customer and what his/her needs, (WHAT) is the value proposition and with the help of which products and services is it generated, (HOW) is the value proposition delivered and (WHY) is the business model profitable?

- **Classroom Activity:** A quick ten-minute summary of the BMN topic should be given at the start of the class lecture, restating the session objectives, and summarising the BMN idea. Important criteria for the *WHO* dimension are e.g., market growth, the relevance of the customer problem or need, or the strategic importance of the targeted customer segment for the company. Evaluation criteria for the *WHAT* dimension include, besides the added value per se, aspects such as the scaling or further development potential of the products/services offered. The maturity of the technology used, existing synergy effects, and the customer's own share in the value generation are criteria for the *HOW*-dimension. The customer's willingness to pay and the needed investment to introduce the idea to the market are criteria for the *WHY* dimension. are examples of questions that the teacher could ask the students. Some students may choose to volunteer their responses. Teachers must then form groups of 4 to 5 pupils utilising the knowledge gained above. As an activity, provide each group a list of organisations from which to choose — organisations that are directly relevant to marketing strategy. The goal of this classroom activity is for students to engage a group discussion within themselves to comprehend and describe the problem of why a particular organisation chose to use BMN. Each group can finish this conversation in 30 minutes.

- **Implement the Tool**

- **General Overview:** Once the purpose and problem are clearly comprehended, the next stage is to identify the type of actions that relate to each of the *WHO*, *WHAT*, *HOW* and *WHY*.
- **Classroom Activity:** Once the students have explored the organisation's website (any example) or the web in general, studied and understood their move to BMN, then students can start discussing and drafting points related to the organisation i.e., focusing on *WHO*, *WHAT*, *HOW* and *WHY*. Once the students have drafted points, the HE teacher can ask each group to present their findings to the whole class. The students in the group can share (his/her) idea in order to make their argument make sense and flow. They can then decide who will lead in presenting the overall findings. Presentation time for each group can be 10 mins. The students can also present their findings with respect to *WHO*, *WHAT*, *HOW* and *WHY*.

- **Collect Data after Tool Implementation**

- **General Overview:** Once management implements BMN practices, they can consider evaluating each department's positioning, resulting in


collecting data (either via survey, focus groups, or interviews) to understand the outcomes of implementing BMN.

- **Classroom Activity:** Once all the groups in the classroom have presented their findings related to their chosen organisation, the HE teacher can collate the main points presented by each group, either by creating a self-constructed questionnaire or merely extract main points from their presentation of the tool.
- **Analyse the Data and Reflect on the Outcome**
  - **General Overview:** Once data is collected, creating, and delivering is the next step towards the BMN.
  - **Classroom Activity:** After aggregating the major points from the group presentations, the HE teacher has the option of providing feedback to each group after they have given, or allowing all the groups to present, collating the important points, and then providing feedback to each group at the conclusion. In either case, the HE teacher must provide feedback on the pupils' performance during the task. The HE teacher and students might dispute in this final section of the activity. Depending on the number of groups formed in the first stage, the teacher may opt to divide them into two groups, one to discuss the benefits of BMN and the other to discuss the drawbacks. Each faction can strive to persuade the opposite side to agree with their viewpoint. The goal of this group exercise is to assist participants comprehend and appreciate the overall value of BMN, as well as the reasons why organisations choose to employ BMN practises and how they are applied by organisational leaders.

To summarise, a BMN tool is most effective when it is adopted as a new way of working, that is, when it is adopted, implemented, propagated, and actively exercised, rather than when it is just plugged in as an add-on or patch. However, BMN is one single tool that compliments the business canvas model i.e., while teaching the business canvas model, it is advisable to use the BMN tool as well. This combination of tools is the most used and referenced frameworks according to a quantitative literature analysis.

- **Examples of BMN based Organisations**

Real-life examples should ideally drive every concept. Here are some of the examples of big corporate giants:

How <b>TikTok</b> makes money – Like any potential social media, TikTok business model has started with advertising to make money but increased two more revenues: app purchases (TikTok Coins) and e-commerce offerings.	 <b>Tik Tok</b>



<p><b>Taobao.com</b> – The brightest stone on Alibaba Group’s crown, Taobao is their largest website, focused on consumer to consumer (C2C), providing small entrepreneurs with a clear road to offer their products to a web of consumers that reaches across the globe.</p>	
<p>How <b>Starbucks</b> makes money – Simply speaking, Starbucks makes money by selling coffee, tea, food, and other ready-to-drink beverages in its company-operated or licensed stores. Other revenues also come from royalty and licensing incoming, consumer-packed goods, food service, etc., since Starbucks products can be found in grocery stores, convenience chains, and other beverage selling places.</p>	
<p>How <b>Microsoft</b> makes money – The segment consists of products and services developed for productivity and information and represents about one-third of Microsoft’s revenue. Its flagship is the Microsoft Office software suite. Besides, there are LinkedIn, the professional social network, and Dynamics, the cloud-based solutions for business apps, such as ERP or CRM.</p>	
<p>It is true that 90% of <b>Toyota’s</b> revenue comes from automotive sales. But the company also generates revenue from other operations, such as financial services, investments, and machinery.</p>	

**Table 5:** Examples of Organisations using BMN

- ***Additional Examples on the Use of BMN Tool***

Following are specific resources to understand BMN in more detail e.g., relevant articles.

- Articles:
  - The Business Model Navigator – [Link](#)
  - The St. Gallen business model navigator – [Link](#)
  - Revolutionizing the Business Model – [Link](#)

- ***Links to General Learning Resources***

Following are general resources to understand BMN in more detail e.g., links to YouTube video clips.

- YouTube Videos:
  - Business Model Innovation – [Link](#)
  - Introduction to Business Model Innovation – [Link](#)
  - Business Model Navigator - Innovation & Entrepreneurship - From Design Thinking to Funding – [Link](#)