

**Innovation, Business Models and Entrepreneurship**  
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**Lecture – 36**  
**Business Models and Value Proposition**

Hello everyone, now moving on to the next area of our discussion wherein we tend to associate business models with value proposition. And the reason is very simple because innovation by virtue, by process, by methods is associated with enhancing the value of business at large products or processes and marketing exercise as far as the part of it is concerned. The other sessions which we have gone through we have seen what generically how do how should we look at business models, how should we look at the business scenario, and then how should we associate business models and business scenario. We also tried to deliberate upon what marketing is termed as generically by definition and then how that definition in parts is associated with innovation.

Now, moving onto the next stage of that how are understanding of business models is associated with value proposition. There are there are several modes through which people have understood and tried to understand this aspect, but let me start with a question which we will deliberate upon how does an organization creates delivers and captures value actually. What value is in terms of in organization, is it the maximization of profits, is it the maximization of the market share the growths as far as the sales and revenue goes, or it is a mutual process of an organization with reference to their customers and partners as well wherein everyone feels benefited at large.

So, we have to look at it very carefully because once we talk of a value proposition, it is associated with a context of how far organization wants to grow and how far an organization would live looking at the changing business scenario, as we discussed their creeping competition and alternatives which may emerged in terms of the products which the organization offers.

So, we have to look at the key aspect and as far as you know offerings which organization has, but first of all we have to think carefully in terms of what business we are into. You see when you when you ask someone in school business or an organization

running a school, a college and institution, you ask them that what kind of business you are into and they might end up saying that we are into delivery of education.

But there are other ways to look at this kind of a situation, there is one way wherein you can say that you are disseminating knowledge or you know developing knowledge or associating people with knowledge. Then there is another way of looking at things whenever when you talk about these kind of things, we you say that we are into developing the future of society as far as being into the business of education.

You talk about you talk to people who are in health or healthcare or hospitals, and then you talk to them and you say that what kind of business you are into, and they might end up saying that we are into a business of disseminating health care whosoever is ill, comes to us and you know we serve those people, we serve the patients. But then there is another way of looking at things wherein you can say that we are into the business of health care, people care, and you know care of the future of as far as the society goes because if the society remains healthy society would be productive as we can foresee, so that is where one has to understand that what business we are in knowing your business well.

And whenever an organization gets stuck up with a situation where and they do not find a way out because of competition pressures or let us say stagnation as far as their sales goes by virtue of their product being obsolete or redundant or by any other means. Once they reach to that kind of a situation, one has to again rejuvenate the thought of what business actually we are into.

Initially when then organization is coming up with a product they or service, they are they are offering something they have to think in terms of what business we are into. For example, online platforms, trading into several with several products they might say that we are traders, but then there is another way of looking at things wherein they may say that we are facilitators between resources and the customers; we are facilitators between several manufacturers or distributors and customers. And in the meanwhile when they take the responsibility of the quality of the products which they distribute, they again add on a point that we are facilitators and assurance of the quality.

When you talk to some insurance company they may say that we provide insurance service. And on the other side they may end up saying that we are the assurers we assure

you of miss happenings which may happen in life they cannot avoid that, but they are there to support you, they are there to help you as far as you know for example, health insurance service providers they may say that we would stand by you once you need us. And these kind of things change the profile of how you look at your business. We can go on and on about you know looking at these things with reference to several types of industries and several types of businesses. You may you may think in terms of you know a transportation business with the perspective of safety as well as convenience as well as speed also. And you may simply look at it with the perspective of conveyance also.

So, there are several ways of looking at things which way would you choose would define the association of the or we may say that the way would that you would choose would define the value proposition that you would generate and then the association of that value proposition with the business model you have in mind. Or we may also look at this situation with the perspective that the way you define your business would derive the elements of value that you would generate, and would support in the evolution of a business model with relevance to you your customers, key partners and everyone associated with that particular value chain.

Then the second aspect is knowing your organization who we are, are we a collection of people working together in different roles and responsibilities definitely on the basis of some skills and attributes which are relevant to that organization, are we simply like that or are we people who are working with universalized objectives or let us say uniform objectives. And we are like you know a rainbow with lots of harmony or we are like a kind of music which has a rhythm, are we so deeply associated with each other that you do not have to tell the other person what is to be done everyone is working in harmony and rhythm with each other. So, are we are we like that.

And then once we are talking of rhythm and harmony, we are also talking of the enhancement of our skills in due course of time self-training and mutual training, and mutual responsibility and self responsibility and those kind of things. So, what kind of an organization we are who we are actually, how deeply we are associated what kind of association we brought in when we were organizing the organization or let us say when organization is getting evolved in due kind of a process, so that is wherein knowing your organization what is the character and culture of that this particular organization.

For example, in educational institutions where I belong to these organizations they have so many people who are self responsible, extremely reliable, they perform with high quality without much of an interference for from the external world you know what best is to be done and they also try and analyze what best can be done with reference to the organization. They try to gel with the organization system by themselves. They are they are it more or less after a particular staged an individual becomes self propelled in his duties and responsibilities and abilities and then the whole of the system starts working in a self propelled kind of a fashion.

Then an associated question with the question of knowing your organization is that what are the capabilities and capacities of my organization. Capabilities and capacities are related with potential. When there are testing times or when you decide of a fundamental radical growth or you decide your organization to take jumps in terms of your growth, quality, excellence or any measure one chooses to go for then one has to capitalize upon as far as the capability and capacity scope.

So, but what are those capabilities and capacities, capabilities and capacities are associated with the continuous process of learning which the organization and the members of the organizations are following. How well they are keeping up to a particular kind of a situation, they are upgrading themselves, they are further churning out themselves or energizing themselves, they are keeping their growth levels higher learning levels high.

I was talking to an industrial organization recently there are senior members who have spent 20 odd years with that organization, and next 10 years they have with them as far as they are working like with that organization goes they were perplexed with this kind of a situation that what is to be done next. They were feeling stagnated they wanted to know that how they can rejuvenate the energies they had in the earlier stages, because today they have a large accumulated knowledge and capability, but they are unable to use it with the same kind of an energy and vigor and that is where the question lies.

Then the most important aspect knowing your customer, and simultaneously your resources; resources who are supplying you with the raw materials or let us say materials to be finished or let us say materials to be traded or products and whatsoever. So, who are your resources, what kind of resources you have, how reliable they are, what are their

quality measures, and how they are working upon enhancement of their quality, and then how are they working upon synchronizing their processes with your processes that is that is a very important kind of a thing. Are you supporting in their learning situation or are they coming closer to you as far as their own learning and growth goes.

And as I said knowing your customer, who is your customer, what are the capabilities of that customer, is the customer agile, is he working with you, is the customer involved in the co-creation process as far as you know purchasing products from you goes, is the customer a guiding force is the is the customer you know just a consumer wherein he comes and pays the money and goes back and it does not looks back kind of just looking at you with a utility kind of a perspective, or is a customer looking towards satisfaction has expectations from you, and then tends to move towards being loyal to you after a particular kind of stage. What kind of a customer you are catering to. Knowing this fact about these facts about customer requires in depth interaction and connectivity with the customer, lots of research, lots of reflexivity associated with the research wherein you talk to keep on interacting with the customers at large.

And you keep on upgrading the processes of interaction as such. Recently a computer company service division of a computer company revealed that they tried to monitor the vocabulary and the conversations of their call center people with their customers wherein they try to understand that how delighted the customer is at the end of the conversation, because if the customer is just plainly happy or let us say plainly satisfied or feels that is not delight and delight without delight you cannot generate references or let us say you if customer is not delighted he might tend to move away from the organization in product that is what they saw.

And then they realize that their customer retention rows high when they started monitoring the delight aspect with within the communication framework because they try to understand that fact and then they try to enhance the vocabulary level or communication intensity with the customer, so that the customer feels delighted. So, that is where the perspective of how an organization creates delivers and captures value and the elements we have just seen.

Now, let us let us look at some examples with a similar kind of orientation which would further elaborate the situation. Let us look at an industrial organization. For example, if

an industrial organization after being there in their business for 30, 35 odd years, they feel stagnated. For example, if you look at an organization which is related to producing or manufacturing electrical generators of large capacity. And somehow the technology is moving from one place to the other or they have been working in for thermal setups and today whole of the world is moving towards solar setup. So, what this organization should do, how this organization should redefine its processes, they have to first ask this basic question to themselves that what business they are into.

If they say that they are an engineering organization manufacturing generators so for a particular kind of power plant or power plants, then definitely their business has reached to a particular kind of a stagnation, and they have to find a way to come out. If they say that they are facilitators of energy generation and they are the technology providers, they are an organization with an engineering acumen associated with facilitation of power generation. Then they have broadened their horizon as far as this perspective goes.

And then they may think of utilizing their acumen partially towards a particular wave which may become their main occupation later on for example, they may move away from this kind of these kind of generators towards solar generation or even bio residue kind of a business basically energy generation through bio residue. So, they may think of that kind of thing as well.

For example, you know I very I feel very interested in such products like masalas. Now, there are several masala companies or let us say you know chilli powder companies or companies projecting chilli powder as their main product, it is a generic product if you look at masala or chilli powder, but how well they have understood what they what their business is and that is led them towards marketing their products efficiently and effectively.

And for example, even of the basic product like salt, people have marketed that basic product as table salt, as a free flowing salt, as salt with you know iodine capability as salt associated with health also. And because they realized that it is not just a product it has value or let us say it can be associated with the health of the customers as such and that can become a reason for further trust and some of the premium which they may charge end up charging as far as their product goods.

So, these basic and fundamental products have also been marketed once they have realized that what business they are into, what their customer is looking for, they have been interacting with customers intensely in due course of time. And try to realize that you know what their customer expectations are, many companies did not realize at all that their customer is looking for free flow in the products like salt, some of the companies they realize and ultimately they have bent for process enhancement or capacity and capability enhancement in a similar kind of a fashion.

Even you look at petroleum products wherein petroleum companies after a particular kind of a stage realize that though it is an essential commodity, but customers have a larger expectation in association with the life of their engines and that is where they started defining and redefining their products which they are selling.

A construction company for example, it is a wonderful kind of a thought when you go to let us say a site where the building is being constructed and several people are there to have a look at their future houses which they have booked or they are about to be booked. And you watch the person interacting with them from the side of the company, and you would realize that though those flats and houses are similar in shape and structure.

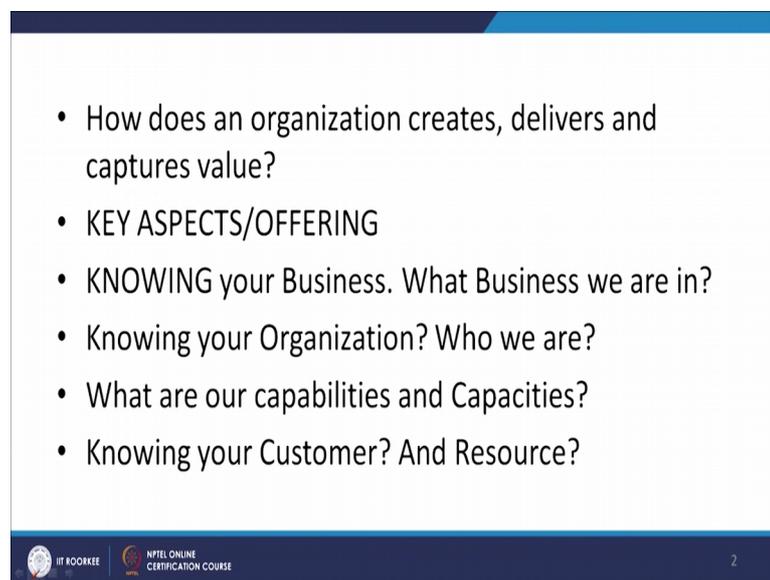
Every customer more or less has a different reason and a different value to think about while purchasing that house someone is looking at the window which wherein sun rays are passing through and that attracts the customer more someone is looking at towards the direction in and this situation of the door. Someone is looking at that this is a dream house and I would have this kind of an interior here, and I would from external look it, it is more or less the same, but customers find different reasons for different kind of you know different reasons for purchasing those houses and defining value propositions with different kind of a perspective.

And realizing this fact the company sells the same kind of flats and houses to different customers with different kinds of value proposition and again for different value propositions some difference in business model generic business model also a witness someone purchases it at you know kind of fixed price, upfront payment; or someone purchases it with the flexible kind of a terms and conditions or whatsoever.

Then you come to wherein for example, it is it is very important to look at energy generation once again you see there are several organizations have seen who have been looking at different modes , but interconnected modes of as far as providing value to the customer as far as energy generation goes. The other day I quoted example of solar printing or let us say up and down motion of the sea waves and so on. ah

Recently I personally have gone through an experiment with one of my associates and PhD scholars who is working with Department of Forest and Ministry of Forests as an officer, we worked upon putting off forest fires with the help of you know a machine which was designed at our end, because we wanted to convert the reason of forest fires towards being the reason of energy generation that is forest bio residue creates forest fires or causes forest fires. And we put our research and thought process in how well we can utilized forest by residue to be converted into a mode of energy generation. Now, this happened because we tend to ask all these questions which I just reiterated in the last slide.

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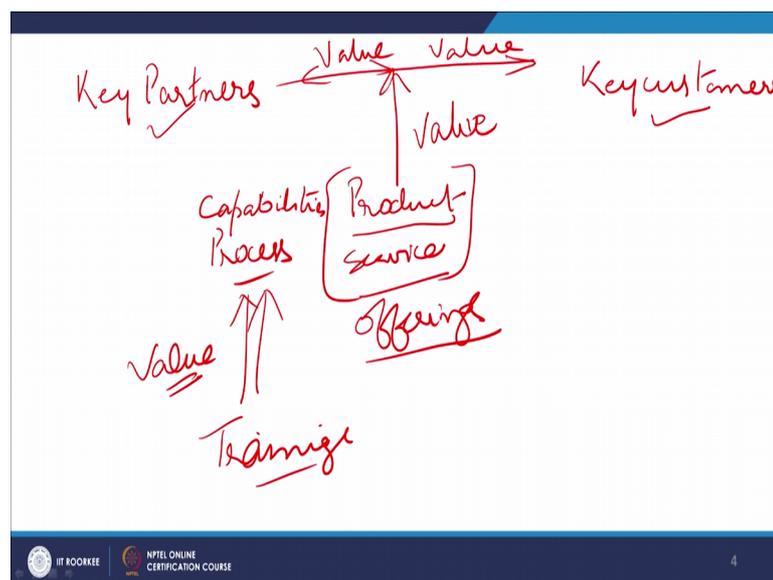
- How does an organization creates, delivers and captures value?
- KEY ASPECTS/OFFERING
- KNOWING your Business. What Business we are in?
- Knowing your Organization? Who we are?
- What are our capabilities and Capacities?
- Knowing your Customer? And Resource?

And I will just show you once again that you know what business we would be doing or what business we are into, what kind of our organizational structure would evolve around this kind of a business, and how many kinds of people would be associated with that, what would be the capabilities and capacities of this business, and what kind of a customer we would be dealing with. So, and there is there is lot to say one is in

automotive manufacturer when one says that we are into you know providing a transport, someone would say that we are into providing business sorry driving pleasure, we someone would say that we now we are into providing a position which can which one can be proud of and that is how we have seen that value proposition has differentiated itself in case of different kinds of models.

For example, general models with basic features they say that it is a mode of transport, and a expensive cars they say that not only these cars they provide driving pleasure they are a symbol of your position. They give you pride as far as you know the product goes and several other things. So, automotives they definitely are an industry wherein we can look at the association of business model with value proposition with a larger perspective.

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Now, let me explain it to you with kind of you know putting a sort of an analogue as far as how to look at this situation. So, who are our key partners, how we are looking at our key partners as far as you know business model and a value proposition goes, who are our key customers, what is the kind of product or service or in totality offerings we have and then how we are trying to associate everything together, it goes towards the key customers.

So, how we are trying to associate this picture basically, what are the elements which we have to cater to. Are we thinking in terms of capabilities and processes associated with

our organization, what kind of a process generation or perspective we may have. For example, a furniture company having plants in different countries in different regions; they do a part processing at some place, they do other processing at some place and they provide a final product at some place, and then they distribute that product all over the world basically Ikea is one of those examples, Asix shoes it is an organization which has so many setups all over and go in a sequential production or let us say assembly based production.

And then there are several organizations which actually you know try to collate whole of this picture into one with the perspective of the questions we have just discussed. So, they the if we keep on putting you know elements of from the side of the customer from the side of the partners with reference to the expectations and the and their participation in co-creation. And then we keep on pondering upon the product and the service and the offerings we have with the perspective the price and communication and the lifecycle of a particular kind of a product in association with kind of with the kind of processes we would infuse within this kind of a picture. And how we will keep on enhancing our capability levels you know through training, and kind of inputs which we may have learning inputs which we which we may have.

So, if we keep on putting up all the elements together, a canvas would be generated and you would you would realize at the end of the day that everywhere we tend to generate or think in terms of generating value. Wherever we look at for example, we are looking from the side of the organization products and services towards customers, you tend to think in terms of that what is the resultant value when you think in terms of associating your partners and partners with the organization and with the customers as such then what is the value proposition which partners may derive and what is the value proposition which organization may derive from the side of the partners.

And whole of the picture would be infused with a key word whole of the canvas would be infused with a key word called value; and value would be inserted almost everywhere. So, that is that is where that the you know situation takes us when we say that we are creating a canvas associated with as far as the key elements of value generation or value proposition in association with whatever business model may evolve in relation to our products and services our organization at large.

Thank you.