

Design of Service-Dominant Business Models for a Digital World

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1 Introduction

Service-dominant business (SDB) thinking is a relatively new approach for business engineering. It emphasizes the added value created in integrated solution delivery to customers by the use of assets and individual services, instead of putting the emphasis on the assets or individual services themselves. Service-dominant thinking (or value-based business thinking) receives extensive attention in the current digital age, in which asset-based thinking is moved to the background (for example by asset virtualization). Examples can easily be found in many domains, such as the mobility domain (like car sharing models), the entertainment domain (like streaming music and movie delivery models), the document management domain (like virtualized printing solutions), etcetera.

The BASE/X methodology places the SDB paradigm explicitly in the context of agile business collaborations that are required for solution delivery in complex, dynamic markets (Grefen and Turetken 2018). BASE/X links business model design explicitly to business strategy design, business process design and business service design, as well as to the design of distributed information systems supporting the execution of business processes and business services (Grefen 2015). This holistic approach provides a bridge in the field of service-dominant business engineering between topics that have been rather disparate so far. Example business domains in which BASE/X has been broadly applied are urban mobility, advanced transport and logistics, and smart manufacturing (Industry 4.0).

2 Service-Dominant Business Model Concept

Even though there has been ample attention for business model design in general (for example in the context of the well-known Business Model Canvas technique), there is far less work on the design of service-dominant business models. The specific characteristics of SDB make traditional business modeling techniques less usable.

One of the techniques in the BASE/X methodology is the Service-Dominant Business Model Radar (SDBM/R). The SDBM/R technique has been explicitly designed for the specification of service dominant business models in a collaborative setting of business networks (Türetken and Grefen 2017, Türetken et al. 2019). More specifically: it is centered on a value-in-use that is co-produced by a business network for a customer segment; it takes a network-centric perspective for business collaboration; it assumes a dynamic market by default and hence is positioned in the BASE/X framework as an enabler of business agility.

3 Service Dominant Business Model Design

Service-dominant business model design in the BASE/X approach takes a highly network-centric perspective in modeling collaboration, favoring an outside-in view over an inside-out view for collaboration between business entities (including the customer). For this reason, the SDBM/R technique uses a circular business model representation (that was the reason for the label ‘radar’) that organizes all participating business actors in a peer-to-peer fashion.

The actors are drawn in the form of pie slices around the central value-in-use that is co-produced for the customer actor. Around this central value-in-use, the representation uses three concentric circular lanes that intersect with all actors. The inner lane represents the value contributions of each actor to the central value-in-use, the middle lane represents the co-production activities that each actor performs to generate its value contribution, and the outer lane represents the costs and benefits involved with these activities (addressing both financial and non-financial costs and benefits).

Designing service dominant business models in the SDBM/R technique is an interactive, iterative process with the active participation of at least the main stakeholders in the business model. The design process with its simple, low-tech tooling supports quick prototyping and evolution of business model designs in hands-on workshop settings. Experience shows that the technique is easily picked up by relative novices in business model design. Despite their ‘approachable character’, SDBM/R models are a solid basis for operationalization of business models into conceptual business process models representing the practical business operations in collaborative networks required to actually implement the intended business (Suratno et al. 2018).

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