

The Internet of Things: Business Model Innovation

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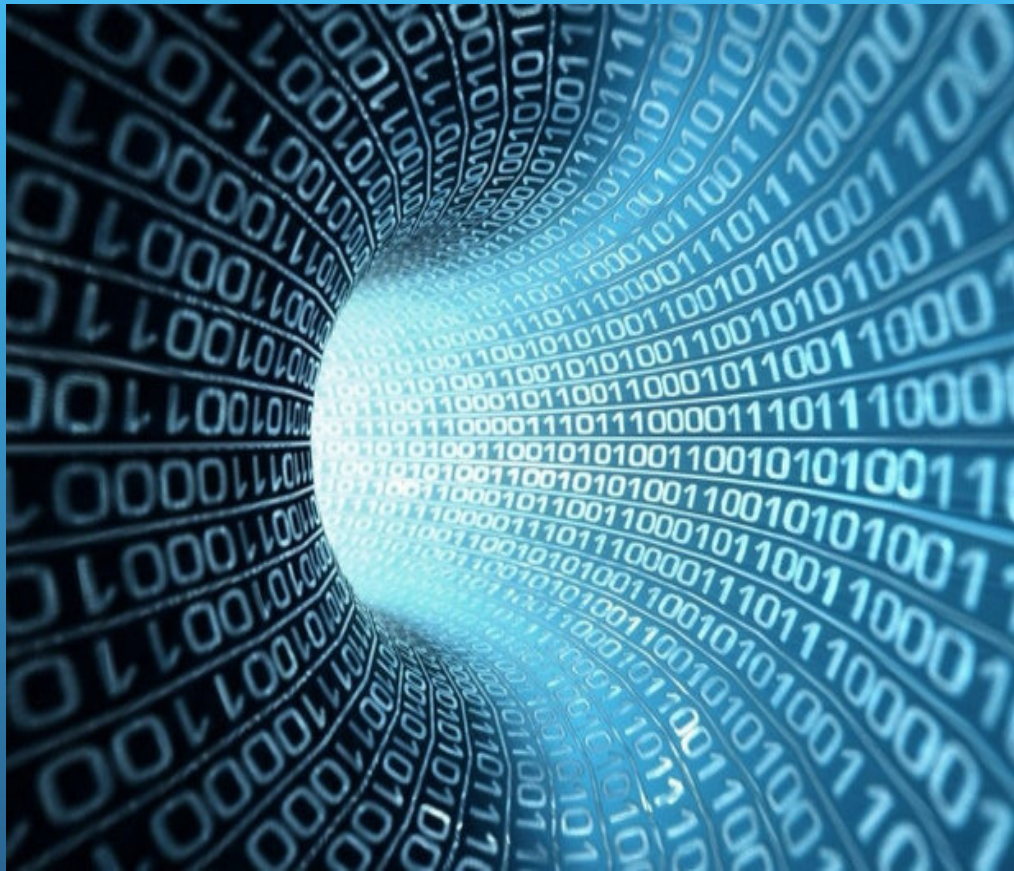
Data Redefines Markets



“I have no doubt that the auto industry will change more in the next five to ten years than it has in the past 50” —
Mary Barra,
Chairman & CEO,
General Motors

- Changes the Economics of the Business
 - Creates a New World in which to Compete
 - Redefines what Constitutes Value to Customers

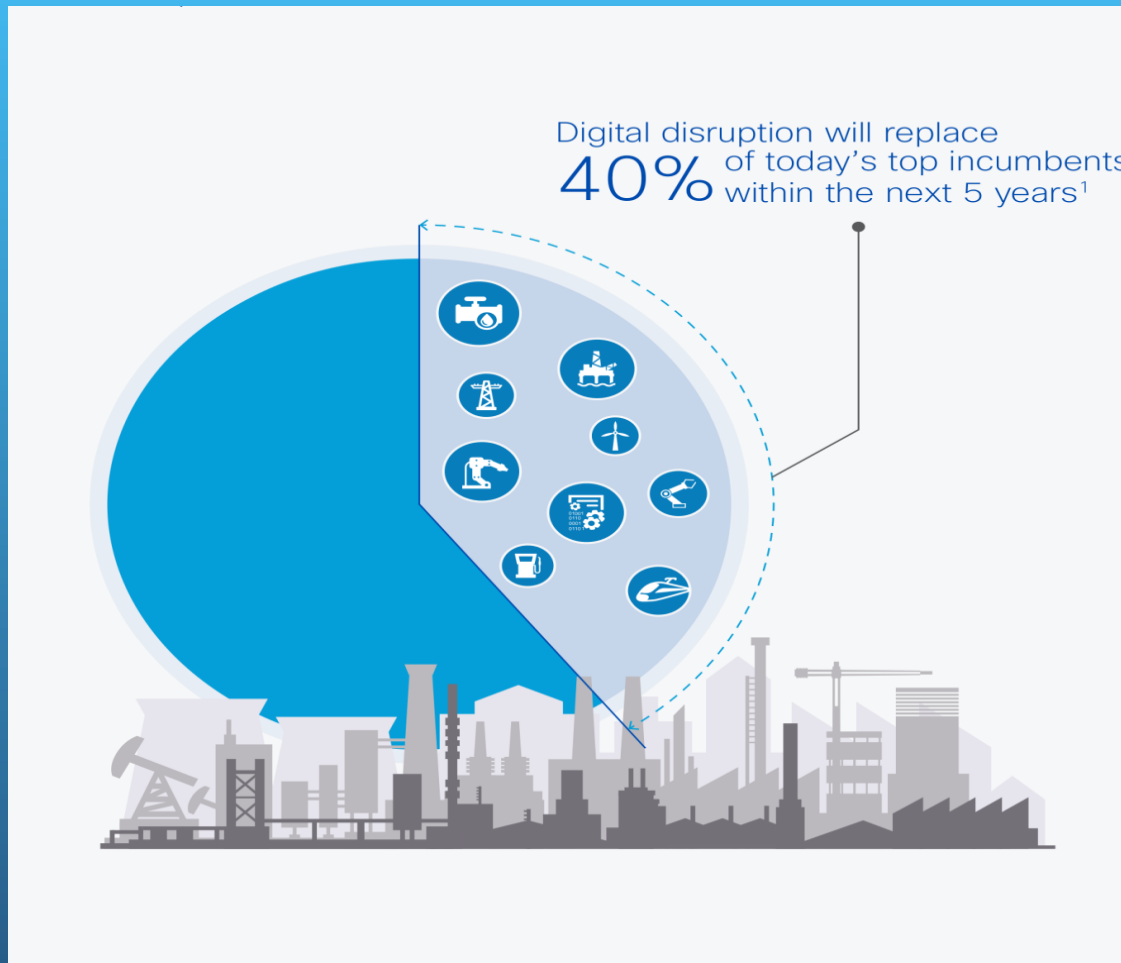
We Are All Data Driven



“The Last ten years of IT have been about changing the way people work. The next ten years of IT will be about transforming your business.”

Aaron Levie | CEO of Box

Internet of Things Disrupts

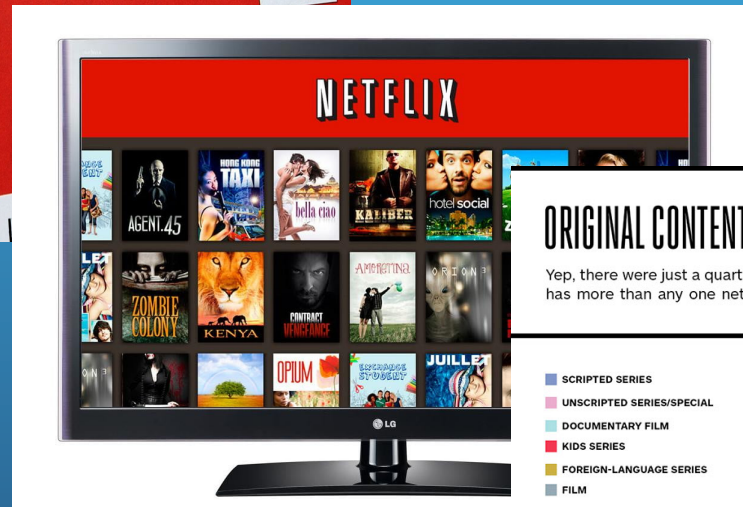


“At least 40% of all businesses will die in the next 10 years... if they don't figure out how to change their entire company to accommodate new technologies” — John Chambers, Executive Chairman, Cisco Systems

Already Disrupted – Music

Midst of Disruption - TV

Business Model Innovation



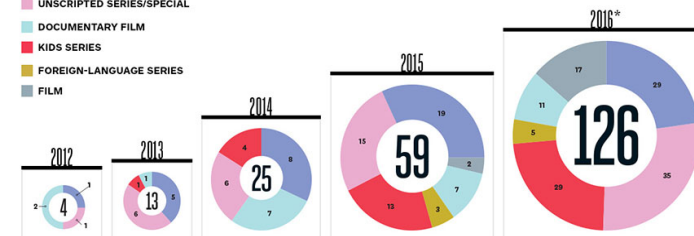
ORIGINAL CONTENT UP 3,050% IN 4 YEARS

Yep, there were just a quartet of shows in 2012, and now Netflix has more than any one network or cable channel in existence

NETFLIX

Source: THR research; *projected numbers

- SCRIPTED SERIES
- UNSCRIPTED SERIES/SPECIAL
- DOCUMENTARY FILM
- KIDS SERIES
- FOREIGN-LANGUAGE SERIES
- FILM



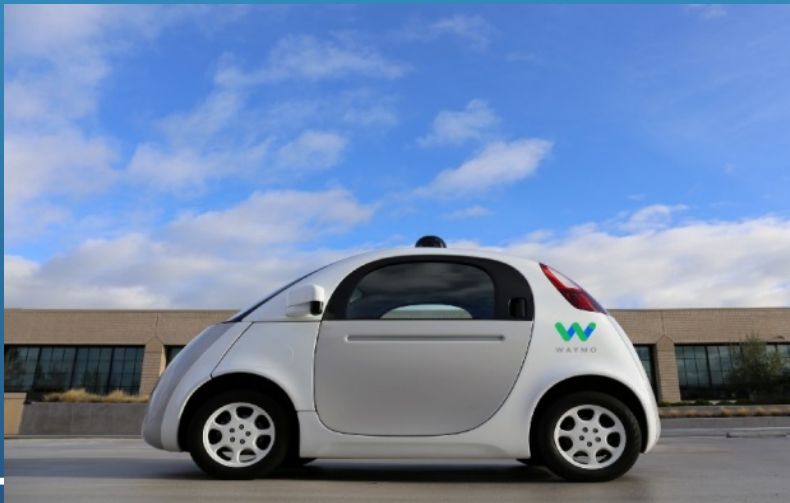
Business Model Innovation

amazon



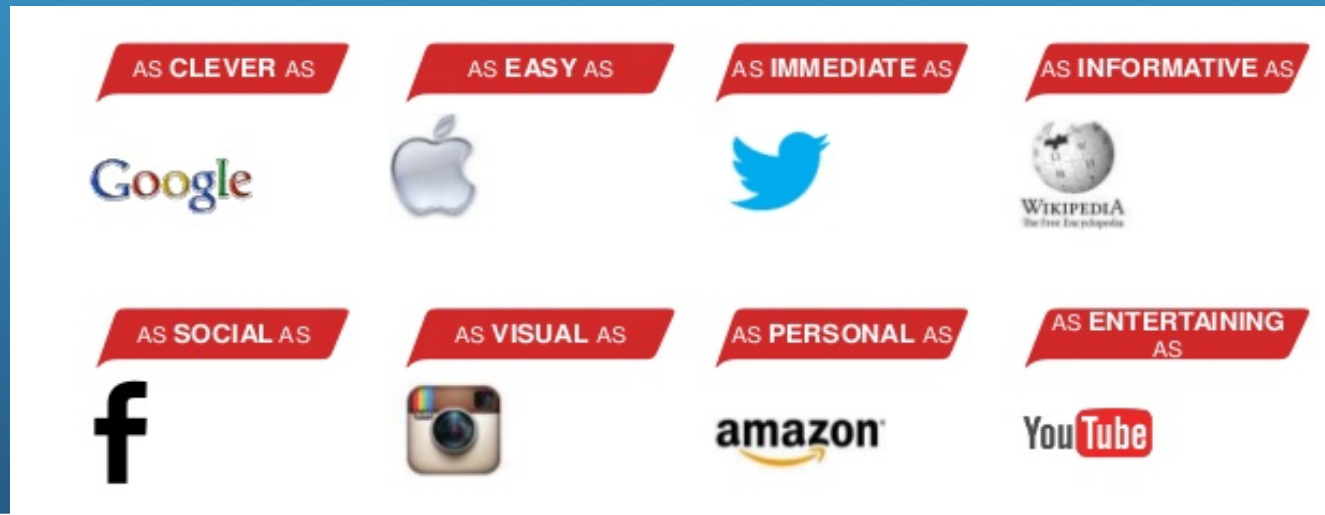
Digital Technology Changes Competitive Rules of the Game

- Blurs Industry Boundaries
 - Disrupts Traditional Industry Boundaries
 - Allows New Entrants with Different Capabilities
- Threatens Incumbents
 - Forces Firms to Compete on Multiple Fronts



Digital Technology Changes Competitive Rules of the Game

- Changes Customer Expectations
 - Customer Experiences in other Industries Shape their Expectations
 - High Standards Set by Other Industries is What Companies are Judged By



Digital Technology Changes Competitive Rules of the Game

- Disrupts the Value Chain
 - Suppliers Can Capture Greater Value
 - By Providing Capabilities That Customers Need
 - Technology Providers to Auto Industry have become critical since incumbents cannot backward integrate
 - Audi, Daimler, & BMW – bought Nokia's HERE precision mapping assets for \$3.1 billion in 2015



Digital Disruption Requires Business Model Innovation



- Need to Rethink the Way to Conduct Business
 - Silos of Firm Activities/Processes No Longer Work
 - Mfg, Marketing, IT need to integrate
 - Firm Boundaries – Integration with Customers & Suppliers

Digital Disruption Requires Business Model Innovation

- Need to Rethink How to Capture Value
 - Traditional Product-Based Business Model no Longer Sufficient
 - No longer a hand off sale
 - Ioniq Unlimited+ Subscription Program - \$275/month



Do You Have the Necessary Capabilities?

- Old Business Model
 - Key Success Factors: Product design/ manufacturing/ branding
- IOT Changes the Business Model
 - Capabilities needed do not reside within the industry
 - Ability to gather/sense/respond/utilize data
- Automotive Industry Lacks Requisite Skills
 - GM – Acquires Cruise Automation
 - Ford – Invested in ArgoAI

Key Capabilities and Skills for a Digital World

- Strategic Imperative to Embrace Creative and Dynamic Thinking
 - Questioning Basic Assumptions about the Future
 - Not relying on the past – biases and assumptions
 - Questioning Rules – Ways of Competition
 - Not adhering to conventional ways of doing business
 - Departing from routine thinking and behavior
 - Responding and Embracing Change
 - Ability to be agile and responsive to change
 - Ability to recognize and anticipate technology disruption