

Business Model Design using SDBM/R

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A service-dominant business model identifies the added value of the service to the customer or user, functions and capabilities required by each party (organizations, institutions, companies, customers, etc.) participating in the model, as well as the expected costs and benefits. The business models (BMs) for a service (or a coherent collection of services) provide a solid basis also for the requirements for the solutions.

The conceptual tool that can be used as a guiding reference for business model design is the Service-Dominant Business Model Radar (SDBM/R)¹. SDBM/R has a *network-centric* design at its core, allowing the composition of service design in multi-party business networks. It defines how the actors in the business ecosystem participate in value co-creation and what the cost–benefits distribution is. It has been successfully used to represent the business models underlying several mobility solutions.

The figure below presents the elements of the SDBM/R. The *co-created value-in-use* constitutes the central point in SDBM/R. It represents the value of a solution to a customer.

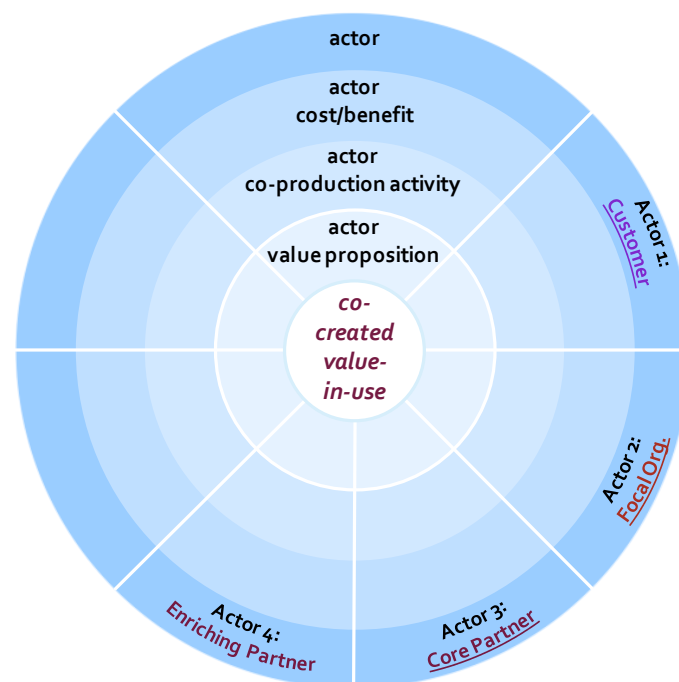


Figure 1. Service Dominant Business Model Radar (SDBM/R) template

The first concentric layer framing the value-in-use contains the *actor value propositions*, which represent the part of the central value-in-use contributed by a single actor. The *co-production activity* defines the activities that each actor performs in the business for achieving the co-creation of value, i.e., its actor value proposition. The effects of this activity are observable by the customer.

The third frame –*actor cost/benefits*– defines the financial and non-financial expenses/gains of the co-creation actors. Finally, each ‘pie slice’ of the radar represents a *co-creation actor*, including the focal organization, core and enriching partners, and the customer.

We put the labels of the actors in the fourth frame. The *focal organization* is often the party that initiates the setup of the business model and participates actively in the solution. The *customer* is always one of the parties contributing to the production of the value-in-use. A *core partner* contributes actively to the essentials of the solution, while an *enriching partner* enhances solution’s added value-in-use. SDBM/R accommodates an arbitrary number of actors, suiting the network-centric character of service-dominant business.

¹ Turetken, O., Grefen, P., Gilsing, R. et al. Service-Dominant Business Model Design for Digital Innovation in Smart Mobility. *Business Information Systems Engineering*, 61, 9–29 (2019). <https://doi.org/10.1007/s12599-018-0565-x>

Conducting Business Model Design Workshops

As the first step, we perform a stakeholder analysis in the field and define main categories of stakeholders (such as governmental bodies, traffic service providers, technology suppliers, etc.). This analysis brings a structure and a high-level understanding of the market and helps focal parties in identifying opportunities for collaboration with various parties in different business scenarios.

The workshops have two main parts. The *first* part involves a tutorial on the concept of service-dominant business and, on the use of SDBM/R. The *second* part comprises the core of the interactive design of a particular business model using the SDBM/R.

Following a practical approach, large posters and ‘post-its’ are used to represent the SDBM/R blueprints and its specific elements. The draft blueprint business models that are interactively designed in the workshops are later refined and communicated with involved parties for validation.

Using the SDBM Radar

A business model may take an informal scenario as a basis for inspiration, which is refined during the design process into a description of a *customer service scenario*. This scenario offers a brief description for the high-level operation of the future solution.

The business model design using the SDBM/R involves the following design steps:

1. Identifying and agreeing on the co-created *value-in-use* and the targeted *customer* (or *customer-segment*). The value-in-use is the added value of a solution for the customer, who also contributes to its creation.
2. Determining the components of the value-in-use (*actor value propositions*) and associated actors (roles). One actor is the focal organization, often taking the role of orchestrator. The number of actors is arbitrary, but it is a good practice to focus on the core actors at the initial stages of the design to reflect only the essence of the model.
3. Determining the *costs and benefits* for each actor. These can be of a financial or a non-financial character. A cost item of an actor typically relates to a benefit, often with another actor(s). An optional practice at this step is to define the cost/benefit flow among actors. This flow also provides an input for the *customer journey* and *cost—benefit analysis*.
4. Determining for each actor, the high-level activities that realize the actor-value proposition. These activities become a part of the customer journey and will be mapped -at a later stage- to (sequences of) tasks in use-case descriptions/ business processes executed by the actors in the network.

Despite the sequential design steps described above, the business model design using SDBM/R should be applied as an iterative process. The outcome of this practice is a business model depicted in a radar together with the *customer service scenario*, which can be expressed textually as a story, or graphically as a story board.

A practical setup for the business model design involves a number of stakeholders brought together around a theme in a business model design session, which is moderated by a person experienced in the use of SDBM/R. The moderator should foster out-of-the-box thinking while engaging the stakeholders in active communication and collaboration for innovative ideas.

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