

What's your digital business model? – What percentage of your revenues are under threat?

written by Julia Weinzettl - www.taskfarm.com

Stephanie Woerner, Research Scientist at the Center for Information Systems Research (CISR), MIT Sloan School of Management, co-author of 'What's Your Digital Business Model?'

Reading Time: 5 minutes

How will our company compete in the digital economy?

A well-known question and frequently asked by many, as companies realized that changes need to be made to not only thrive but often also survive in the upcoming future. In her book 'What's Your Digital Business Model?', Stephanie Woerner, Research Scientist, Center for Information Systems Research (CISR), MIT Sloan School of Management developed six questions as a guideline for companies to develop their organizations and thus pave the way for the future.



Weill, P. & Woerner, S.L. (2018). *What's Your Digital Business Model? Six Questions to Help You Build the Next-Generation Enterprise*. Boston: Harvard Business Review Press.

What are the biggest threats or opportunities for companies in the upcoming years?

Stephanie Woerner: The biggest threat is not looking around and being oblivious that you could be disrupted. We focus on threats but what I would really like companies to think about is: What are the opportunities?

This requires to have people in the organizations – and this is really a good role for the CEO – who know what digital can do for your company. What are the kinds of innovations that are going to allow you to change your business model?

I think it means you have to invest. Both in your platforms but also in your people.

In your book ‘What’s Your Digital Business Model?’ – you broke the way of transformation down into six questions:

Threat: How strong is the digital threat to your business model?

Model: Which business model is best for your enterprise future?

Advantage: What is your competitive advantage?

Connection: How will you use mobile technologies and the internet of things (IoT) to connect and learn?

Capabilities: Are you buying options for the future and preparing for the necessary organizational surgery?

Leadership: Do you have leadership at all levels to make transformation happen?

You started your research in 2012 almost a decade ago, what has changed?

Stephanie Woerner: When we started the deeply felt need for companies to transform, didn't exist then. Nowadays the necessity for changing and adapting the business model and the organization is not called into question anymore. In 2012 consumers were starting to become the focus of the company and now it's taken for granted. The idea of belonging to ecosystems and networks and that companies are not just having suppliers but partners has changed also. Digitization has really opened up the boundaries of the companies. Any company now is talking about digital transformation and great customer experience.

That is a huge development.

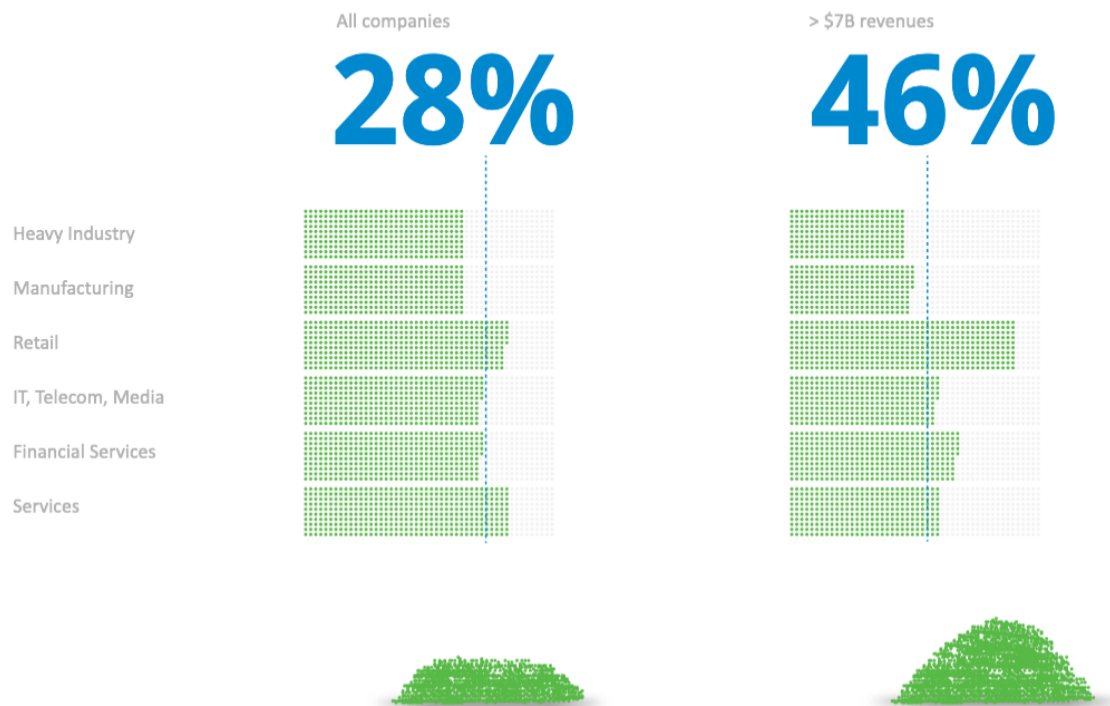
The need for change is obvious to all so the focus shifted to the 'how?'

Many companies are trying to figure out how to implement digital business models, there is a lot of pressure, especially if you are in the digital industry.

Over 70% of the revenues are at threat in some companies, so the way that companies are trying to figure out how to deliver products and services changed dramatically.

When we started our research our main focus was b2c. but during the last two years, we see a lot of b2b companies that are also working on change.

What percentage of your revenues are under threat?



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You also mentioned that gut feeling decisions are fading – everything that is not evidence-based – meaning backed by data – is losing credibility.

Stephanie Woerner: I think there is a place for your gut. You use your intuition and experience to help to create the hypothesis. I even think that's the only way you can create the hypothesis. But from there you start the experiment and you get the data. There is a rule for the gut – it's not how you make the decision but in which direction you are looking at how and what you are testing.

You brought Pampers as an example for growing a community and building an ecosystem. 5 years ago, they started to engage their customers digitally by giving pregnant visitors the possibility to enter the potential birth date of their unborn child on their website. The soon-to-be moms then would obtain

information on how exactly the baby in the womb was developing at that stage. With the increasing awareness about the value of personal data, such marketing activities become less attractive for customers. Do you think companies would suddenly fall short of this valuable good again?

Stephanie Woerner: I am wondering how this is going to change. I think that those are big questions that are being hashed out now. Do our customers want to be compensated? At the moment a lot of customers would still sign away for a free-be. But if the awareness rises I don't know if customers have their own data and they can choose if they are going to give it out. Somehow that would be much more appealing to me, but that's my own opinion.

I would think that companies would be worrying probably already in Europe, because of GDPR. In the USA it's still just emerging on the radar. It will be a big issue and problem: Who owns it? Who has to take care of it? Do you have to anonymize it?

What happens to the user experience and customer-centered approaches if companies are not allowed to use or even obtain data anymore?

Stephanie Woerner: The question is: could you be clever and get data in a different way? For instance, one could have sociologists employed to actually see what customers are doing. They don't need to know who they were, just what they did – to improve the customer experience. Maybe we need to be smart about different ways of collecting data, that doesn't put identity at the center.

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About:

Stephanie Woerner, Research Scientist at the Center for

Information Systems Research (CISR) at the MIT Sloan School of Management. Stephanie is an expert on how companies use technology and data to create more effective business models and her research centers on how companies manage organizational change caused by the digitization of the economy. In 2016, she was a subject matter expert on enterprise digitization for the Wall Street Journal CEO Council Conference. She has a passion for measuring hard-to-assess digital factors such as connectivity and customer experience and linking them to firm performance. Recent articles (with Peter Weill) include "Thriving in an Increasingly Digital Ecosystem," and "Is Your Company Ready for a Digital Future?", in Sloan Management Review. Stephanie is the coauthor, with Peter, of What's Your Digital Business Model? Six questions to help you build the next generation enterprise, (Harvard Business Review Press, 2018).