

Jarmo Lilja

Building a Business Model for a New Market Segment

Engineering Services for the Finnish Food Industry

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When starting to write this preface section, I was happy but also quite tired. When I applied to this program a year ago my goal was to improve my education, but also I felt that I needed something new into my life. Little did I know at that point that this past year would give me more changes than I bargained for. Starting this amazing Industrial Management program was a big change alone, but other big changes also happened to me at the same time.

During the time when I was supposed to start writing this Thesis, my service contract with a customer with whom I had worked for almost my whole career ended. Suddenly my long-time secure job changed to a feeling of insecurity and I was also facing other changes and new challenges at my work too. In my personal life, my second child was born at the end of December, which meant another big change in my private life. All these changes together meant suddenly I had to adapt to learning new things the whole time and find time for everything. I was surprised to realize how much free time I actually had before and how much more I can achieve when I schedule things right and efficiently.

I would like to thank my Thesis instructor Principal Lecturer Thomas Rohweder (DSc), for his great insight for this Thesis. His guidance managed me to keep on track and focus on the right things. I would also like to thank Senior Lecturer Sonja Holappa and Principal Lecturer Satu Teerikangas (DSc) for great support and the endless source of energy and positivity they emanate. Big thanks go also to the case company for the topic of this Thesis and the support I got for doing it. I was also lucky to be part of this class filled with amazing and talented people and I hope that we will keep in touch in the future.

Finally I would like to thank my wife for great personal support and taking care of our lovely children when dad was at work/school or writing this Thesis. The next thing I am going to do is to take a little break and spend some family time with my wife Eija and our children Elmo and Vieno.

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<p>The case company in this Master's Thesis provides different types of engineering services to its customers. The current business model of the case company does not meet the needs of the customers in the new market segment, the Finnish food industry. Therefore, the objective of this study is to determine the customer needs in the new market segment in order to propose a new business model for making a successful market entry into new market segment.</p> <p>The best practices of business modelling are studied to build a Conceptual Framework for the new business model and to find ways to identify the customer needs. The current business model and the gap between the customer needs are studied in the Current State Analysis. Based on the business model framework and the analysis of the current state, an initial business model proposal is built. Finally the initial proposal is presented to the key stakeholders for feedback. Based on this feedback the final business model proposal is built.</p> <p>This study utilizes the case study approach and uses qualitative methods in analysing the current business model and the customer needs. The main data sources included key stakeholders, including company internal interviews and workshops and external customer interviews. The findings from the Current State Analysis were used to build an initial business model proposal.</p> <p>The outcome of this study is a business model proposal and recommendations for making a successful entry into Finnish food industry market segment.</p>	
Keywords	business model, customer value proposition, profit formula, key resources, key processes

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1 Introduction

In today's competitive global markets, companies are looking for ways to expand their business for example by entering new market segments in order to increase their sales. However companies often face difficulties when entering to new markets as customer needs in new market segments are often fundamentally different and unknown. Therefore new ways to make business successfully are needed. Even if the company is established in one market segment, the requirements of the new segment may be so different that the business model of the company needs to be revised. Otherwise the company may be unable to build a suitable customer value proposition to its customers. Even if the company could meet the requirements of the customers, the company may not be very well known among the potential customers and the lack of references from the new market segment may be a barrier.

The purpose of this Thesis is to explore different business modelling perspectives presented in the existing knowledge and to find a way to identify customer needs related to the Finnish food industry, which is the new market segment the case company is targeting. The main objective is to determine which business model perspectives seem the most suitable to meet the business challenge that the case company has when attempting a market entry.

In this study, the case research approach is used to first build a framework by utilizing existing knowledge about the business models and to find tools to identify the customer requirements. Based on the finding of the existing knowledge, qualitative data is gathered from case company's internal sources and from the potential customers of the new market segment in the Current State Analysis.

1.1 Case Company Background

This thesis studies how to develop a new or revised business model when a company is entering into a new market segment. The case company operates in B2B environment and it provides engineering of industrial equipment and technical documentation solutions to its customers. According to the case company annual report, in 2015 the company had over 2000 employees working in different countries. The case company has many customers and the services provided to them range from arranging engineers to work for the customer to complete, long-time project implementation. The service business provided by the case company can be roughly divided to two forms of services, i.e. the *CV business* and *projects*. The CV business means that the case company provides individual engineer resources, or even teams to work for the customer. *Projects* means that the case company handles the entire project which typically means that the case company provides all required engineering documentation to the customer.

The current business model of the case company is built to meet the requirements of key customers in a specific industrial engineering market segment. In the new market segment the customer needs are relatively unknown to the case company and contact channels and customer relationships are lacking. Therefore the new market segment requires a new business model. Without a working business model the case company is unable to make a successful entry to the market. The main reason why the case company does not have a working business model in the new market segment, is the lack of customer data.

1.2 Business Challenge, Objective and Expected Outcome

The case company has decided to expand its engineering service business in a new market segment, the Finnish food industry. Although the case company is established and has long experience from other segments such as OEM, the entry to the new segment has not been successful. The main challenge is that the case company is lacking customer contact channels and customer information such as customer's service purchasing processes. The market entry and operating in this new market segment efficiently requires that the case company has to have an understanding of its potential key customer needs and have a practical way to make the first serious entry into this new segment. This includes that there has to be reliable data about the customer requirements and ways how the case company can meet them.

The objective of this thesis is:

to propose a business model suitable for the new market segment entry.

The new business model will include changes to the parts which are identified as not meeting the requirements of the new market segment. However since the case company is established in other market segments and has a successfully working business model there, the strengths of the current business model will also be carried over to the final proposal. The business model will be created by using new potential key customers as a customer case example.

The outcome of this Thesis is a new business model for the case company. The business model proposal is based on a framework of best practices of business modelling found in the existing knowledge. Additionally the shortcomings of the current business model are studied with internal and external key stakeholders in the Current State Analysis of the case company. The initial business model proposal includes co-creation with internal key stakeholders. Finally the initial proposal is presented to internal key stakeholders and based on their feedback the final business model proposal is made.

1.3 Method and Thesis Structure

This study is carried out by gathering data from two customers from the Finnish food industry market segment. Additionally the internal data is gathered from the key stakeholders and internal documentation of the case company to propose a new business model for the Finnish food industry.

This Thesis is divided into seven sections. Section 2 presents the research method, project flowchart and information about the research process. Section 3 covers best practices of business modelling found in the existing knowledge and ways to identify customer needs. In section 4 the current business model of the case company and the gap between the current business model and the customer needs are analyzed. Section 5 presents an initial business model proposal for the new business model. The proposal is based on best practices of business modeling presented in the Conceptual Framework and on the findings obtained in the Current State Analysis. Section 6 provides feedback for the initial proposal from the key stakeholders and presents the final business model

proposal. Section 7 includes the summary, managerial implications and provides an evaluation of the reliability and validity of this Thesis.

2 Method and Material

This section presents and explains the chosen research approach, a flowchart of the project and describes the data collection methods applied in this Thesis. The reliability and validity plan is presented in the end of this section.

2.1 Research Approach

This study uses a case study as a research approach. In a case study, the main research questions are “how” or “why” questions, the researcher has little or no control over behavioral events and the focus is on a contemporary phenomenon or a case in its real-world context. A case study can be a useful method in doing evaluation. (Yin 2014:2). A case study is linear but also an iterative research design.

In a case study, the first step is to plan what needs to be studied. In this study this is the business challenge. Also the collected data needs to be linked to the initial research question (Yin 2014: 26). First the Conceptual Framework based on existing knowledge is built. Secondly internal and customer data is collected in Current State Analysis. This data is then analyzed and utilized together with the Conceptual Framework to build the initial business model proposal for the case company.

The case study approach was selected because it fits well the business challenge and scope of this study. Firstly, the business model implementation is not part of this study, and secondly, the researcher is not able to influence the people of this study through his daily work. Thirdly, the case study approach also allows a combination of different data sources. Finally, in this study the current business model is evaluated and the proposed new model is revised based on the feedback of the key stakeholders.

2.2 Research Design

This study has six stages including research objective, Conceptual Framework, Current State Analysis (CSA), initial business model, feedback on proposal and proposal model. The Research Design is illustrated in Figure 2 showing the progress of the project and the data collection.

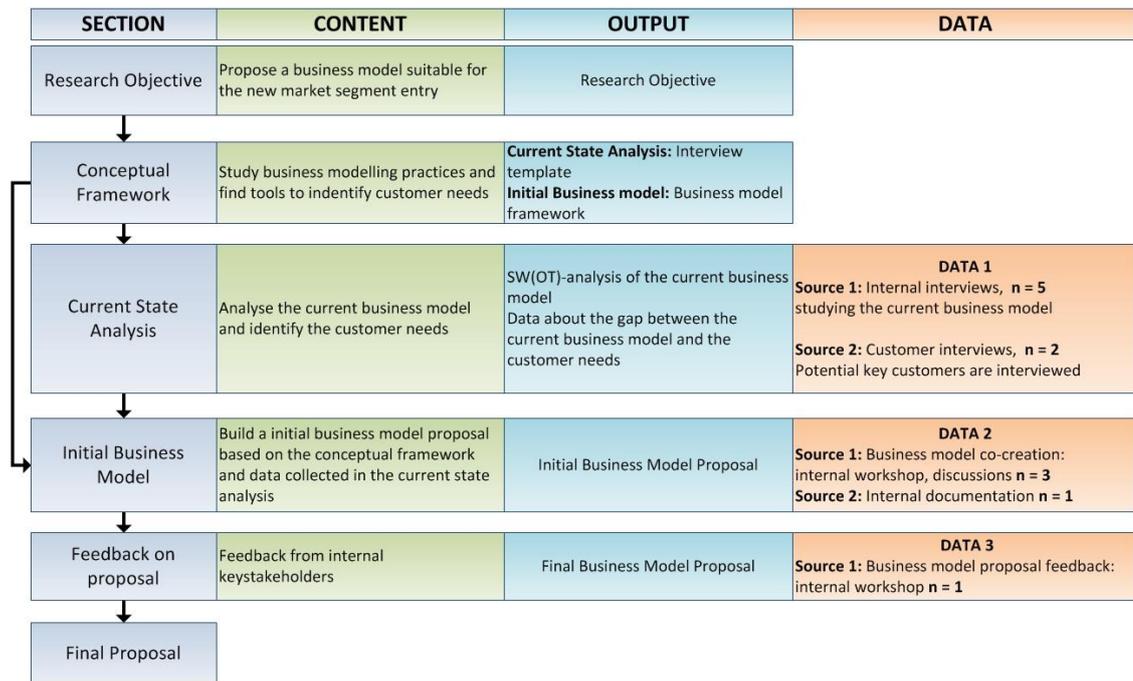


Figure 1. Research design

As shown in Figure 2, the research started from defining the business problem and stating the research objective of the thesis. In the Conceptual Framework section, the focus is on existing knowledge on different business model practices and tools for identifying the customer needs. The Current State Analysis concentrates on how the case company's current business model meets the needs of the customers in the new business segment. The CSA includes internal interviews in the case company and also interviews with two potential key customers. One of the customers is chosen as a case example for the business model proposal.

The outcome of the Conceptual Framework and CSA is to propose an initial business model for the case company. The initial business model is presented to the key stakeholders and based on their feedback, the final proposal of the business model is presented.

2.3 Data Collection Approach

This study utilized data from different categories of informants such as case company middle management and customers from the target market segment. The data collection methods included interviews and workshops with key stakeholders. The interviews and

workshops were done in Finnish to prevent language barrier and thus provide as reliable rich data as possible. The summary of the field notes was translated to English.

2.3.1 Data 1 collection and analysis

First the performance of the current business model was studied. This was done by internal interviews in the company. The list of internal interviews is presented in Table 1.

Informant	Position	Topics	Date	Duration	Method	Documented as
1	Automation department Manager	Preliminary interview about the Current Business model -How it was created -How it utilized with key customers -Performance -Strengths and Weaknesses	13.1.2016	1h	Face-to-face interview	Field Notes
2	Electrics & Automation Manager	Interview about the current business model -Strengths and weaknesses -Customer channels -Payment methods -Processes and CRM -Key resource utilization	29.2.2016	2h	Face-to-face interview	Field Notes
3	Region manager	Interview about the current business model -Strengths and weaknesses -Customer channels -Payment methods -Processes and CRM -Key resource utilization	2.3.2016	2h 20min	Face-to-face interview	Field Notes
4	Sales & product manager	Interview about the current business model -Customer channels	2.3.2016	45min	Face-to-face interview	Field Notes
1	Automation department Manager	Interview about the current business model	3.3.2016	1h	Face-to-face interview	Field Notes
4	Sales & product manager	Possible future customer needs	10.3.2016	10min	Telephone Conversation + Email	Memo
1-3	Managers	Feedback for CSA findings selection	16.3.2016	1h 45min	Workshop	Memo

Table 1. Internal interviews

A total of five interviews and one feedback workshop were conducted. The interviews were semi-structured and had premade questions followed by other questions and conversation. Additional information and clarification was also received via additional e-mail and telephone conversations. Also, the researcher's personal experience and insight is included in this data collection.

The first interview presented in Table 1 was made to get preliminary data about the current business model. The other interviews were done with the template prepared in the Conceptual Framework in Section 3. One of the interviews done with the template is presented in Appendix 5.

After the current business model of the case company was studied, the needs of the possible key customer were studied. This was done by external customer interviews as presented in Table 2.

Customer Informant	Position	Topics	Date	Duration	Method	Documented as
1	Technical Director of a food industry company 1	Customer needs, currently used services and competition	4.3.2016	1h	Face-to-face interview	Field Notes
2	Safety manager of a food industry company 2	Customer needs, currently used services and competition	10.3.2016	30 min	Telephone interview	Field Notes

Table 2. Customer interviews

Two different customers were interviewed in order to get more reliable data and a broader view about the customers in the Finnish food industry market segment. The customer informants work in such positions that they participate to the purchasing process of services and have broad information and long experience about their needs in maintenance, safety and investments to their process lines.

2.3.2 Data 2 Collection and Analysis

Data 2 collection includes one internal workshop and set of interviews. In the workshop, the key stakeholders participated in co-creating the initial business model based on the

findings made in the CSA. After the workshop a set of short interviews with specific topic were followed. Data 2 sources are presented in Table 3 below.

Informant	Position	Topics	Date	Duration	Method	Documented as
1-3	Managers	Business model co-creation workshop	30.3.2016	2h	Workshop 1	2 pages of notes + 13 post-it notes
1	Automation department Manager	Additional discussion, clarification	4.4.2016	10min	Discussion	Notes
2	Electrics & Automation Manager	Additional discussion, key processes	4.4.2016	10min	Discussion	Notes
Doc1	Internal documentation	Description of sales process	8.4.2016	-		20 pages

Table 3. Internal workshop, discussions and internal material

The workshop started with a brainstorming session where every participant independently thought of solutions to the problems found in the Current State Analysis. The results of the brainstorming were collected to a flip board in post-it notes as shown in Appendix 4. The outcome of this workshop was to get data for making the proposal for the initial business model which is presented in Section 5. The workshop was followed with short discussions to get additional data and also clarify the data that was collected in the workshop. Additionally one internal document about the current sales process was part of the data sources.

2.3.3 Data 3 Collection and Analysis

After the initial business model was built it was presented to the key stakeholders. Data 3 is gathered from key stakeholders which provided feedback in a workshop. This data is presented in Table 4.

Informant	Position	Topics	Date	Duration	Method	Docu-mented as
1-3	Managers	Business model feedback workshop	13.4.2016	1,5h	Workshop 2	1 pages of notes
Doc2	Intranet	Description of current key processes	13.4.2016	-		5 pages

Table 4. Feedback for the initial business model proposal

Data 3 also includes data about the current processes of the case company. This data was collected from the case company intranet.

2.4 Validity and Reliability Plan

The validity and reliability plan of this study is made to meet the key test of validity: internal validity, construct validity, external validity and reliability (Quinton and Smallbone 2006: 127).

Internal validity in this study is ensured with a well-defined business challenge and solution that involves interviews with several managers. In addition, customer interviews were also conducted. The interviews were carried out face-to-face when possible and also the key stakeholders were involved in workshops to evaluate the proposed outcome of the study.

Construct validity is ensured by utilizing multiples sources of existing knowledge, establishing a chain of evidence and feedback from the key stakeholders (Yin 2014: 45)

External validity and generalization can be determined by answering the question how the findings can be transferred to another context. Usage of case study with small samples can make it hard to transfer (Quinton and Smallbone 2006: 132). However, it is argued that the researcher should ask “whether you should generalize the work at all?” (Quinton and Smallbone 2006: 132). In this study the data was collected to find a suitable business model for a case company in a certain market segment. This means that this data cannot viably be transferred to other context. External validity was increased in the Conceptual Framework where different practices and tools found on existing knowledge were taken in account. However, since the objective of the study is to create a business

model only for this certain market segment and not to be generalized, external validity was not seen as an important aspect of the study.

Reliability can be ensured by using triangulation to collect data with different methods, using different data sources and applying established theories (Quinton and Smallbone 2006: 130). In this study reliability was achieved by utilizing multiple theories from the existing knowledge. Data was collected with semi-structured interviews from multiple sources and also using workshops as a method to collect and analyse data. Field notes were made from the interviews to provide reliable rich data. The summarized field notes made from interviews were also send to interviewees for approval to prevent the possibility of misunderstanding and researcher bias.

Researcher bias should also be taken into account in the study in assumptions, research design and in the data collection (Quinton and Smallbone 2006: 138). The impact of research bias was considered in the following way. First, the position of the researcher in the company is such that the business challenge and outcome have no direct impact to the daily work of the researcher. Therefore it can be considered that the researcher can pursue a neutral outcome. Also, the researcher is not in such a position that he could directly affect the people involved in the study. Secondly, the initial business model proposal is evaluated by the key stakeholders. The researcher is also aware that some theories presented in the existing knowledge may not be applicable in the case company's market segment.

The next section deals with Business Modelling theories and identifying customer needs in order to create the Conceptual Framework for building the business model.

3 Best Practices in Business Modelling

In this Section, different perspectives to business model practices discussed in existing knowledge are presented. Based on this understanding, this section develops a Conceptual Framework on business model elements for Section 5, which concentrates on building the initial business model. In addition, this section distinguishes ways to identify customer needs and serves as an interview template for the Current State Analysis in Section 4.

This section is divided into four sub-sections. The first sub-section presents definitions of the concept of business model, discusses business modelling development and identifying customer needs. The second sub-section presents different perspectives to business modelling. The third sub-section introduces the key elements of the business model and finally, the fourth sub-section is an overview of the Conceptual Framework.

3.1 Introduction to Business Modelling

This sub-section presents different definitions for business model which is followed by the business model development process. Next, it is discussed why companies need to develop a business model and ways to identify the customer needs are presented. Finally challenges and boundaries related to business modelling are presented.

3.1.1 Definitions

Before introducing the different practices, the concept of business model itself should be defined. There are vast amounts of different views and perspectives to business modelling and there is no commonly accepted definition for the business model either. The academic literature provides wide and diverse definitions and interpretations for a business model. The definitions include different core aspects such as purpose, target customers, strategies and organizational structures and processes. Some definitions go very deeply in the details while other views are more concentrated on defining the key concepts only. This study presents some of the popular perspectives to business modelling.

One definition is that a Business model describes how an organization creates, delivers and captures value (Osterwalder & Pigneur 2010). In other words, a Business model is the basis for all business activities of a company (Moormann J. & Palvölgyi 2013). Such a definition is rather general and could describe almost any company's business model.

Another definition argues that a business model identifies the market segment and specifies the revenue generation mechanism (Chesbrough 2010). This view can be seen to be more targeted to companies which are entering to new markets. A third perspective argues that the business model provides answers to the following two questions 'Who is the customer and what does the customer value?' and 'What is the underlying economic logic that explains how we can deliver value to customers at an appropriate cost?' (Casadesus-Masanell and Ricart 2010:197) For the first question the answer lies in customer segmentation, identifying the customer needs and customer value proposition. The answer for the second question is more related to the company's internal processes and profit making formula. There is no one correct definition for the business model and ultimately the market and the needs of the company determine the most suitable definition and perspective. For the case company the definition and perspective chosen are presented in the end of sub-section 3.2. After the business model has been defined, the next step is to start the business model development process.

3.1.2 Business Model Development Process

Business model development can be considered to be an iterative process and typically experimentation is required when developing a new business model. All elements of the business model may not always be defined or visualized correctly before they are tested. Therefore especially during the early stages of trialing a new business model, flexibility to change is required. In addition to flexibility, patience with new business models are also required since typically new business models are revised four times and the best indication of working business model is profitability (Johnson et al. 2008). Therefore adapting to changing customer values is required. If the business model does not create value to the customers, it does not create it to the company either (McGrath 2010). The business model needs to adapt to the competition too, otherwise being profitable even with the best leaders, people or superior services may be difficult (Teece 2010). This means that the company needs to identify when they need to adapt and develop their business model before it becomes obsolete.

When companies develop new business models

As the definitions section showed, all companies operations are based on a business model. However, there are times in a company's lifecycle when companies need to create new business models or revise the old ones. This might be due to the company facing new challenges, as the market changes or if the company is entering a new geographical or product market. Under such circumstances, it is critical that companies revisit their business model. For example when an established company is looking for new ways of making business or entering into a new market, the existing business model can be revised instead of totally creating a new one (Cavalcante et al. 2011). Even though business models should be checked on a regular basis, it is not always necessary to make changes. The golden rule is "don't fix something that is not broken" works with business models too. However, the most difficult thing is to change a business model just before it becomes broken. (Johnson et al. 2008). On the other hand new innovative business models can reshape entire markets and made huge changes on value distribution (Johnson et al. 2008).

Companies with internally oriented business models have built their service offering around their resources. (Moormann J. & Palvölgyi 2013). In today's rapidly evolving markets where customer's requirements change constantly, the traditional way of building a business model around the key resources is no longer sufficient. For a service-oriented company, a customer centric approach needs to be considered when building the new business model. This type of approach requires 'deep truth' knowledge about the customers and identifying their needs that are not satisfied by the current competitors (Teece 2010).

Identifying customer needs

Companies which provide customer-centric services need to identify what their customer needs are. When companies are trying to gather data about the customer needs for example by interviews, the right target for the interviews needs to be known. Data should be collected from leading technologists, people knowledgeable about 'oblique competitors' and thirdly conversations with non-customers which might be possible customers in the future. The data gathered with these conversations are argued to be critical conversations to find customers who are not in the firm's immediate line of sight (McGrath 2010). The data that is required to design a new business model also requires customer

and competitor information and intelligence. This means knowledge about the fundamental needs of the customer needs, customer assessments, cost behavior and capabilities of competitors. (Teece 2010). Companies also need to identify its internal leaders who are most capable of managing and making the business model change possible (Chesbrough 2010).

The structure of the research should also include the identification of the customer processes and their characteristics. Additionally it should be taken in consideration how the company's processes can be aligned to meet the needs of the customer (Moormann J. and Palvölgyi 2013). Emergent customer opportunities also lack customer data and only by making the required actions new data will be available (Chesbrough 2010). Customer needs may also change and therefore the identifying the customer needs can be considered to be an ongoing iterative process. Unidentified customer needs can be considered a boundary for the business model. In addition to the unidentified customer needs, companies can also face other types of boundaries when making new business models.

Boundaries to business models

Business models have certain boundaries, which limit its possibilities. However, some of these boundaries are dynamic and can change for example when new technology or some other shift provides new possibilities to operate. A new dynamic business model that enters the market can challenge the old business models by removing some of these boundaries and therefore provides pressure to the old business model to change. Typically all the boundaries that limit the use of key resources are not known when the resources are allocated. Therefore a market can be considered as a place for experimenting and discovering the most effective business model (McGrath 2010). This means that business model experimentation takes place both inside and outside the company and it cannot really be estimated in advance which business model works most efficiently (McGrath 2010) and what problems the business model has.

Problems with business models

A typical problem that companies have with business models (and with many other things too) is that once the new business model is made and taken into use, it is forgotten in the depths of the company's data systems. In other words, the business model may look good on paper but it is useless if it is not actually used. Therefore during the business model creation process the following questions need to be considered. Firstly 'Who is going to use the business model?' and secondly 'What is the business model used for

and how is it used?’ (Baden-Fuller and Morgan 2010). The business model creation also requires creativity, insight and good information about the customers and competitors (Teece 2010). The lack of accurate customer related information is one of the biggest problems for companies which are entering into a new market. In a new market the nature of the business and customer needs may be quite different and therefore the company may need to consider new perspective to its business model.

3.2 Different Perspectives to Business Models

The review of the literature enabled identifying four perspectives to business modelling that appear to dominate current best practice. These perspectives are: “Business Model Canvas”, “Discovery Driven Approach”, “Business Model Innovation” and “Reinventing Your Business Model”. These perspectives from different authors are briefly described in this section.

Business Model Canvas

One of the recent and popular business modelling practices is the Business Model Canvas presented in Figure 2.

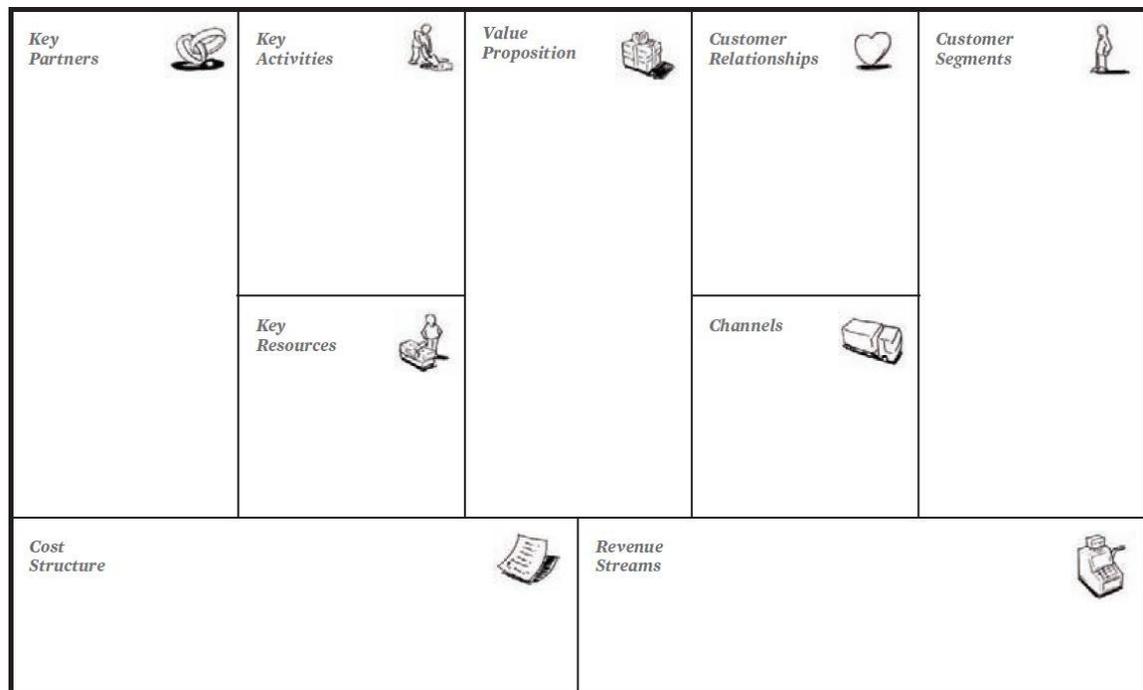


Figure 2. Business Model Canvas (Osterwalder & Pigneur 2010:44).

The Business Model Canvas is a tool that was developed by Alexander Osterwalder for either creating a business model or developing an existing business model. Business model canvas divides the business model to 9 business building blocks. These blocks are Customer segments, Value propositions, Channels, Customer Relationships, Revenue Streams, Key Resources, Key Activities, Key Partnerships and Cost Structure (Osterwalder & Pigneur 2010). The canvas presented in Figure 2 also shows the relationships between these blocks.

Business model canvas can be considered to be very customer centric as roughly half of the blocks are customer related. Business model canvas can be very accurate when defining the company's internal activities in the business model. However the business model canvas alone does not really take into account how the business model fits with the strategy and competition.

Discovery Driven Approach (McGrath)

McGrath presents that a business model is a way to consider options in uncertain and fast developing markets. McGrath argues that unlike strategies that emphasize analysis, the discovery driven business model concentrates on experimentation and learning. In uncertain environments a business model can be seen as an approach to experimenting a strategy and is considered a managerial choice (McGrath 2010).

McGrath also presents four reasons why some companies perform better than others in utilizing their business model concepts. First, the focus should be outside-in instead of inside-out, meaning that knowing your 'core competences' is not enough. Instead the focus should be on adapting to the changing customer values.

Second, the working business model usually cannot be anticipated in advance, therefore emphasis must be on learning and developing the business model. Thirdly, the dynamism of competitive advantages should be noted. Finally, as business models evolve, developing and understanding strategy is also discovery driven instead of planned execution of the strategy (McGrath 2010).

A business model has two core components, the basic 'unit of business' and 'key metrics' of process or operational advantages (McGrath 2010).

Units of Business

The unit of business is product, service or even something else that the company is selling and therefore it can be considered the most important aspect of the company. Without it there is no business or business model (McGrath 2010). One way to base the business model is to offer 'free' units of business and still be able to collect revenues. One of the most typical forms of this free business modelling is advertising where companies pay for the adverts and users don't pay for what they receive. Other forms are Cross-subsidization where something is given free as part of a 'bundle' (McGrath 2010). For example a company could provide certain hardware for a very cheap price in order to get a high-paying service contract for it. One of the more recent ways to do is called Gratis, where something is given away free and others create content to it. Classic examples are open source software and 'wiki' encyclopedias (McGrath 2010). The rapidly evolving social networks can provide huge possibilities to this alternative.

Key Metrics

Key metrics help to drive performance and can be used to deploy the company's key resources. Companies can study key metrics to find new, unusual ways to deploy their current resources and be able to differentiate to gain advantage.

Business Model Innovation (Chesbrough)

Chesbrough has studied different barriers related to changing the business model. In this view, companies need to adapt an attitude for business model experimentation. (Chesbrough 2010). Tools and mapping can be useful when creating a business model but they alone are not sufficient without proper business model experimentation and innovation.

Reinventing your business model (Johnson et al.)

Johnson et al. argue that all business models consist of four different elements which together create and deliver value. These elements are customer value creation, profit formula, key processes and key resources. These four elements depend on each other and if one of these elements changes, it affects the other elements as well (Johnson et al. 2008). All four elements need to be interlocked together to create and deliver value.

There are many different perspectives to business modelling, some perspectives like Osterwalder's business modelling canvas go quite deeply in the details of naming all the blocks but leave little room to identify the competition. Even though dealing with competition can be seen as more related to strategy than to the creation process of business model, it should not be left out. The business model needs to be made so that it can be fitted together with the strategy so that the competitive advantage cannot be copied or at least is harder to copy (Teece 2010). Some business model perspectives, such as Johnson et al., are more related to dealing with a certain customer segment. Perspectives provided by Baden-Fuller and Morgan instead study the form that the business model takes, going towards a more philosophical view of comparing the business model to biological organisms or recipes. In the end it can be stated that there is no right answer for what perspective is the right one. Every company has its own different business model (Baden-Fuller and Morgan 2010) and each company has to find the most suitable way to create and revise the business model.

In summary, there is no one commonly accepted definition of what a business model is and what it consists of. One of the reasons for this is that a business model is conceptual rather than a financial model for making business (Teece 2010). Nevertheless, a review of the literature points to the notion that most of the authors agree that a business model articulates the four following parts, i.e. value proposition, revenue source, resources, and governance mechanisms (Sorescu et al. 2011). Similarly, Johnson et al. argue that a business model consists of four elements including customer value proposition, profit formula, key resources and key processes. The main difference is that instead of governance mechanisms Johnson et al. include key processes as the fourth element. While governance mechanisms consist of corporate mechanisms, processes and relations, key processes focus on the processes that work as links between the customer value proposition, key resources and profit formula. The governance mechanism is too broad a subject for the scope of this thesis and therefore the Johnson et al. model is seen as the most suitable base for the Conceptual Framework. However other perspectives are also taken in account when defining what should be included in these four elements of business model and also in identifying of the customer needs.

3.3 Elements of a Business Modelling Framework

In this sub-section the four elements of business model are presented. These elements are based on the “The elements of a Successful Business Model” presented by Johnson et al. This perspective was selected because it is a process, which fits well in the environment of the case company. The case company can be considered to be established but is looking for new commercial opportunities in a new market segment. Therefore the new business model can be also considered a revision of the existing business model. When a company is entering to a new market segment the starting point of the new business model lies in the CVP where the customer needs need to be identified first. When the customer value proposition is defined, the process is continued by defining the other elements of the business model: profit formula, key processes and key resources. However, aspects from the other business modelling perspectives are also taken in consideration in defining what should be included in these four elements. Additionally, different author perspectives are considered in the creation of Appendix 1 which presents questions that form the basis of the interview templates used in the Current State Analysis.

3.3.1 Customer Value Proposition

New business models often look unattractive to key stakeholders and therefore companies need a roadmap to have a better understanding of them. This roadmap consists of three steps. The first step is to identify the opportunity to satisfy customer needs. The second step is to create a blueprint for how to fulfil the need and make profit. The third step is to compare the existing model and see what needs to be changed to capture the opportunity. The first and second step of this roadmap form the basis of the customer value proposition and profit formula. After the customer segmentation, the customer value proposition is considered to be the next step in the process of designing a new business model (Johnson et al. 2008). In the CVP business model needs to define what value the company is offering to the customers (Chesbrough 2010). The description can for example include details about the product or service offering of a company. The CVP should be made so that it answers the requirements of the selected customer segment (Osterwalder & Pigneur 2010).

The CVP plays a very important part in the business model and it is not possible to remake the business model until the CVP is clear (Johnson et al. 2008). The main reason for this is that the CVP works as an interface between the company and customer. The central role of the CVP can also be seen in the very popular Osterwalder's business model canvas presented in Figure 2.

The most important and usually the most difficult aspect of making the CVP is how precise it is or in other words how well it can be aligned to the needs of the customer (Johnson et al. 2008). However to successfully align the customer needs to the CVP usually requires knowledge about the activities of customer's processes (Moormann J. & Palvölgyi 2013). The importance of CVP in the BM is also supported by McGrath's argument that the focus in utilizing the business model should be outside-in instead of inside-out, meaning that knowing your 'core competences' is not enough. Instead, the focus should be on adapting to the changing customer values (McGrath 2010).

One way to adapt is to focus on the barriers of the job that needs to be done instead of trying to do everything. These barriers may be time, skill, access or wealth related barriers (Johnson et al. 2008).

Ultimately the value proposition is the aspect which differentiates the company's offering from its competitors. Typical questions are what value we are offering to the customer and what customer's problems we are solving. Each customer has a different meaning for value. For some it is just getting a job done, for others the value is more directly price related. (Osterwalder & Pigneur 2010). Value for physical products is typically attribute, price or brand related as for example with Apple's iPhone. However the value in service offerings is more related to the customer experience. Customer experience may include aspects such as convenience, friendliness of interaction, extended hours, location, scope and also price (Frei 2008).

3.3.2 Profit Formula

In addition to a CVP that is attractive to the customers, a good business model needs to have commercially viable risk, cost and revenue structures (Teece 2010). These two parts form the basis of the profit formula. These may also be called revenue streams and cost structure as seen from the business canvas in Figure 1.

Profit formula includes the details the revenue structures and also estimates the cost structures and profit potential (Chesbrough 2010). Revenue structures can have multiple mechanisms. Some service or products may have fixed prices with one-time payments. Some services are ongoing and generate recurring revenues (Osterwalder & Pigneur 2010). Additionally in the revenue structure companies may for example consider what kind of margin model and resource velocity the company should have. Typically for established companies the profit formula includes high-margin value-added services. (Johnson et al. 2008).

Profit formula is closely linked to the CVP and a change in either of these elements typically means also a change in the other. Without the profit formula the CVP can only be seen as an empty promise (for companies which desire to make profits). Therefore when considering a profit formula it may be useful to create the target margins in the profit formula and go back to the CVP to see what is required to do to reach the margins. (Johnson et al. 2008). This aspect highlights the relationship between the CVP and profit formula and also highlights the argument that a business model is an iterative process.

3.3.3 Key Processes

After visioning what the company's value proposition and profit formula consist of, companies need to determine their key processes. Key processes are processes which are required to reach the markets and make the customer value proposition possible. The processes included in the key processes are heavily dependable on the nature of the business. (Osterwalder & Pigneur 2010). All processes done inside a company are not automatically key processes. Key processes should only include repeated core processes that are important to the business (Cavalcante et al. 2011). These processes include tasks related to sales, budgeting, training, development, planning and different forms of services (Johnson et al. 2008).

Examples of such processes are employee and customer management systems. In the employee management system the employee's ability and motivation to perform the required tasks need to be taken in consideration. These can be ensured with careful employee selection, training and motivating. The importance of the employee management system is higher in companies whose customer value proposition consists mainly of services. The Customer Management system needs to consider customer selection, identify the job that needs to be done and ensure that the company is the preferred selection for the customer (Frei 2008).

3.3.4 Key Resources

Finally when the key processes have been articulated, the key resources need to be considered. Key resources are important assets that allows companies to create their value proposition. Key resources can be physical, financial or non-tangible assets such as high performing employees (Osterwalder & Pigneur 2010) or even information. For service oriented companies typically the key resource is its employees and tools and technologies related to their services.

Key resources are an investment for companies. For example if a company seeks to hire employees which can really excel in both attitude and aptitude, it is typically more costly than having average employees (Frei 2008). This also means that if a company seeks to invest in its key resources such as service employees, it may also need to consider making changes to the CVP and/or profit formula. Otherwise this investment in key resources may only cause lower margins.

Key resources may also include partnerships such as suppliers and partners. (Osterwalder & Pigneur 2010). Partners usually are non-competitors but in some cases also direct competitors of the company. In service oriented business the partners have a bigger role than the suppliers since the service provider is not producing any physical goods.

Channels can also be considered to be key resources. Channels are a customer touch-point which the company can use to reach, communicate and distribute goods to their customers. (Osterwalder & Pigneur 2010). Therefore channels can be considered to be one of the most important aspect for companies which are entering into new markets,

since without the first contact and the customer awareness about the company's services, there is no business at all. During the creation of a business model channels should be taken in consideration in two ways. Firstly, the phase of the company's channels need to be determined. For companies which are doing a market entry channels are more related to searching for customer awareness. Established companies' channels should be taken into account by evaluating its current purchase, delivery and after sales processes. Secondly, the most efficient channels need to be identified.

3.4 Overview of the Conceptual Framework

In this section, the Conceptual Framework is developed from the existing knowledge presented in sub-section 3.1. The premise of this Conceptual Framework is that business models generally consist of four elements, i.e. customer value proposition, profit formula, key processes and key resources. The Conceptual Framework is presented in Figure 3.

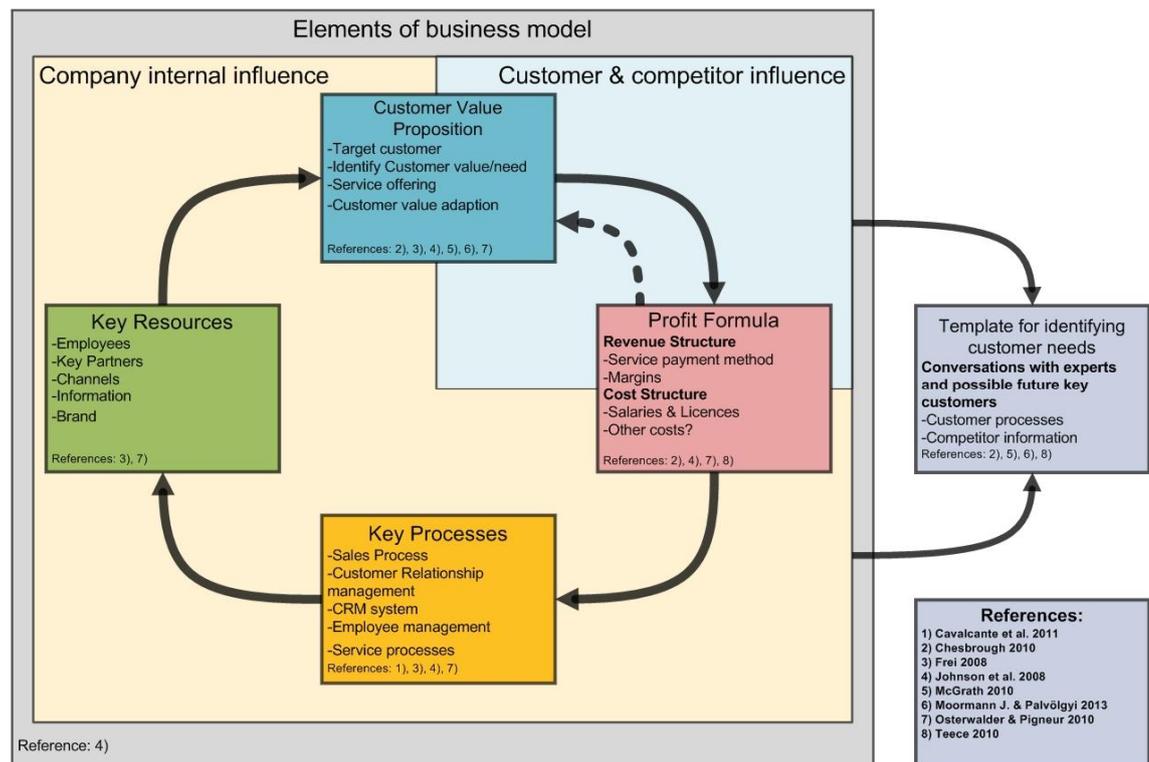


Figure 3. Conceptual framework

As seen in Figure 3, the business model is created for the customer segment specified in the business challenge. The arrows indicate that if there is a change in one of the elements, it will also affect other elements. In other words, business model creation is an

iterative process. The dotted arrow indicates that there is typically a need for iteration between the CVP and profit formula alone. For example if a company chooses to set a certain target margin for the value stream the CVP may need to be revised. The customer influence element shows that the CVP and profit formula are also affected by the customers and competitors.

The Conceptual Framework provides the elements of the business model for Section 5 where the initial business model proposal is build. Additionally, the Conceptual Framework provides a base for the templates for internal and customer interviews conducted in the Current State Analysis in Section 4. The internal interview template is presented in Appendix 2 and Customer interview template is presented in Appendix 3. These templates include the main themes for the questions that will be included in the interview. Customer interviews will only include question themes from the CVP and the profit formula while the internal interviews will include questions from all aspects of the business model. Additionally, both internal and especially customer interviews will also try to identify the competitors' services. These internal and customer interviews can be seen as the critical conversations to find customers who are not in the firm's immediate line of sight as presented in sub-section 3.1.4 and also the first step of the three-step program presented in the sub-section 3.2.1.

With the Conceptual Framework now in place, the next section focuses on finding out the strengths and weaknesses in the current business model through performing a Current State Analysis at the case company.

4 Current State Analysis

In this section the current business model of the case company is studied through internal interviews and discussions. The customer needs are also studied by conducting customer interviews. The aim of these interviews is to identify the gap between the current business model and the customer requirements.

4.1 Findings of Data Collection 1

The data required for the Current State Analysis following sources: internal interviews with the case company key stakeholders, interviews with the possible customers and internal documentation of the case company. The sources for data 1 were presented in Section 2.3.1. The interviews were concluded using pre-made interview templates which are based on the framework presented in Section 3. These interview templates are based on these ideas described in Section 3.1.4. The targets of the interviews are possible future key customers and internal interviews with people which were considered to be the best experts or key stakeholders.

The process of developing the interview templates began from collecting questions from existing knowledge presented by different authors. These questions were either directly presented by the authors or some part of their views and key points were turned to questions. A total of 80 questions were listed and the list of author related questions are presented in Appendix 1. These questions were next divided among the four business model elements which they were mostly related to. Some of the questions were not divided among these elements because they are more related to business model in general. After this the questions were still divided according to whether they were relevant to customer data, internal data or both. Next the questions were categorized under different themes. Finally the questions were color-coded in the following way:

- Green questions were relevant for the case.
- Yellow questions were also considered to be relevant but were either already included in other questions or were too broad questions per se.
- Red questions were considered to be irrelevant or out of scope.

After the questions were categorized and themed, the most relevant questions were selected to form the basis of the interviews. Finally the green questions were reviewed together with the key stakeholders which also provided some additional questions which they considered to be important from the case company's perspective. The outcome of this review were the customer interview template and internal interview template. The customer interview template is presented in Appendix 2 and the internal interview template is presented in Appendix 3.

4.2 Description of Existing Business Model

Since the case company has no business model made for the Finnish food industry segment, the case company has used similar ways of operating than in the other market segment, the OEM. Therefore in the Current State Analysis the OEM segment business model and the gap in relation to the customer needs is analyzed. The analysis is divided on the business model elements presented in the Conceptual Framework in Section 3. The first element to be analyzed is the CVP.

4.2.1 Customer Value Proposition

CVP is the starting point of the new business model since the case company operates in customer-centric service business. The CVP consists of a service portfolio that has quite successfully covered the requirements of the customers in the OEM segment. The services can be roughly divided to two different businesses, CV business and projects (Informant 3). The CV business means that the case company provides employees to work in the customer's project as external consultants. Projects, on the other hand, mean that the case company handles the project itself meaning that the customer gets all the engineering documentation required to start building for example a new production line.

CV-Business

In the CV-Business, the case company sends an engineer to work for the customer on hourly basis. This form of service is quite straightforward and easy to handle for both the case company and the customer, has less risks and requires very little managerial support from the case company. However the CV-Business has multiple downsides compared to projects. In CV-Business the employees may lack professional development

opportunities, there is very much competition and it may tie down some key employees if the customer wants to hire a particular employee only (Informant 3).

Projects

Depending on the customer and the type of the project, customers have different values related to them. Maintenance and support services for example are typically not very price sensitive. In these types of services customer's value service speed and competence to fix the issue instead. One of the main reasons for this is that every second that the customer's production line is not running can cause severe losses to the customer. This means that the case company has a better ability to compete with these services. However, the nature of maintenance and support services are typically short and ad-hoc. Therefore, resourcing for these types of services is harder (Informant 2).

On the other hand, investment type projects are typically very price sensitive, especially in the current financial situation that Finland is today. This poses a problem because the case company has limited ability to compete with just pricing. (Informant 2) (Problems related to pricing are presented in the Section 4.2.2). This is caused by the fact that the case company is quite big and has higher fixed costs than small companies. Therefore it cannot compete with prices against small competitors and has to focus on the service quality instead (Informant 1). One way to compete against simply a low price is to introduce some novelty to the services. Even if the case company is able to bring something completely new and novel service, not all customers necessarily value it as informant 3 stated:

“One thing is that if you have something that the competitors don't provide, it may also be hard to sell it since customers don't really have anything to benchmark it.”

This statement indicates that some old ways of providing the services need to be included in the service portfolio even if new provided services would be better, more efficient and more profitable. This is because ultimately the customer may consider the old way bringing more value, even if the new service would actually be more beneficial. For some customers keeping the status quo might be a value per se.

The case company has been able to identify some of the customer needs in the food industry segment. Informant 4 stated that key areas of interest of the food industry customers are safety and reliability of their machines. The case company is providing new safety analysis and automation analysis services to satisfy the customer needs in these

areas. (Informant 4). These services can also be considered as “Roll in” services since they also make the customers aware of the possible barriers they may have. When these services are provided and if for example it is found that the customer’s production line does not meet all safety standards, it can be considered as a barrier. In addition to these analysis services, the case company can also provide engineering services to fix the problem. It can be considered that the customer was not aware that they had a barrier like informant 2 stated:

“With these services we are in a way making customer of aware of certain boundaries that the customer may have. We can also help customers to remove these barriers.”

The possible future customer requirements have also been estimated. Informant 4 stated that in a couple of years the food industry most likely has requirements related to the tracing of the raw materials. The basis of the estimation is on the fact that the medicine industry already has such requirements today and food industry is expected to follow it in the near future. Therefore, the case company needs to consider, whether services related to tracing should be included in the service portfolio.

When doing the value proposition, also the long-term benefits should be considered such as new references and customers which may even promote us (Informant 1). Solid references and promotion are especially important when a company is in a new market segment.

Comparison to competitors

The advantages that the case company currently has are that it is an established company with good references, scale advantage and is very experienced in the business. Also many of the employees are very talented as informant 2 stated: “In some areas the competence is best in Finland”. With the scale and credibility provided by references and experience, the case company has been able to block some smaller competitors. In the new market segment this advantage is not so big, since the case company does not have references from the food industry.

Even if the case company is providing quite wide portfolio of services it is not always enough. The case company does not have its own equipment assembly and installation services. Therefore it has to purchase these services externally which brings the price up. This causes the case company to constantly lose projects to competitors which can

provide these services. Examples of such competitors are equipment manufacturers which also provide installation services and multitalented companies (Informant 3).

4.2.2 Profit Formula

The case company's profit formula includes quite a common way of making profits. In CV-business the customers are paying each month for the services on an hourly basis. Projects, on the other hand, are typically fixed payments. A third way of making profits are monthly fees of the maintenance contracts, which are the most profitable to the case company. The profitability of projects depends on how successfully the estimation of the project costs were forecasted and how efficiently the project was executed. The CV-business brings a steady income but it is only profitable with a high invoice rate. The profits in CV-business are also affected by factors such as sick leaves, which immediately end the service and profits for the duration of the leave (Informant 3).

Even though the case company typically cannot compete in project business with only pricing, the case company still has one advantage which allows it to bring the project costs down especially in big projects which include a lot of hardware. In these types of projects the case company can utilize its low-cost engineering department located in China (Informant 1). This low-cost department can be utilized in two ways. Firstly, it can provide additional volume in engineering when it is needed. Secondly, it can be used to reduce the service costs, thanks to the low-cost department's lower employee and fixed costs. This also means that a certain margin of the profits goes to the low-cost department (Informant 2).

For the cash flow point of view, the case company desires to have access to the cash fast. This is not naturally always possible since customers typically have long paying times and are paying the bills as late as possibly but case company has utilized different means to change that. For example in CV-Business some long-term and trustworthy customers' bills are sold to the creditors to get access to the cash faster. (Informant 2) This means that the case company has room for alternative payment methods even if the case company wants to get access to the cash fast.

There have been some experiments with other payment methods such as payments made on depending how well the project met its requirements. This, however, has certain problems. First the customer may provide invalid data or something else can happen

which causes the loss of profits. (Informant 3). In summary, all the internal and customer informants interviewed basically had the same view for this type of payment method. The view is that in theory it would seem to be an agreeable way for the payment, but the problem lies in how to really do it in the practice. Even though this could provide a possibility for higher profits for the case company, the actual time when the case company would get access to the cash would be delayed. The actual benefit for the case company would only lie in the possibility of a stronger customer relationship.

The projects are not always profitable due to the fact that sometimes the costs are very hard to be estimated especially if the information about the project scope is lacking. However, some customers simply are not able to purchase the CV-business service or any services based on a monthly fee due to different barriers related to their budgeting (Informant 3) or as Informant 1 stated about one customer's reaction:

“Just handle it with fixed prices, it can't be all on us”

By this statement Informant 1 means that some customer is unwilling or has a barrier to only use fixed price service offers (projects). The reason for this may be for example that the customer has a large budget for investments but a very low budget for maintenance services.

4.2.3 Key Processes

The case company's current core key processes that are required for making the CVP are sales process, design process and customer relationship management process. Some other key processes exist as well, but those key processes are common to all market segments and are not subject to change in the scope of this Thesis. Therefore those processes are not analysed in the Current State Analysis, instead they are included in the final business model proposal. The starting point of the analysis is the design process.

Design Process

The design process includes projects and CV-business services which were presented in sub-section 4.2.1. There are some problems related to the cost estimations of the projects as Informant 3 stated:

“With CV-business we know how to do business but problem with projects is that we always do not know how to do the projects. This has led to significant losses. Also some customers do not know how to purchase projects.”

Wrong cost estimation of projects leads to two types of problems. A project whose costs have been estimated too high, may lead to a lost deal because of too high a price on the offering. If the costs are estimated to be too low instead, it can lead to significant losses for the case company. One possible reason for making too optimistic cost estimations is competition as Informant 3 also stated:

“The competition in propositions can be compared to professional sport, it must be spot on”

This statement indicates that aggressive competition drives to too high risk taking in the pricing of projects. This means that there is not any margin in competing with pricing but the competitive edge should be found from other sources such as differentiated services.

In CV-Business this problem does not exist because the service is priced on an hourly basis. This does not mean that the case company should put more focus on the CV-business. The reason for that is that the benefits of the projects are much bigger compared to the CV-Business and its downsides. These benefits are that the job is more in the case company's hands, certain aspect of the projects can be copied to other projects, the low-cost department can be utilized, the visibility of the order book is improved and the idling of employees is reduced (Informant 3).

The case company desires and also needs to transfer some of their CV-business to projects instead. One reason for this is that the customer may have barriers for example related to its budgeting which restricts it from hiring an engineer via CV-business but may still be capable of purchasing the service as a project instead. To be able to turn the CV-business to a project, the case company has utilized a new service web portal (Informant 3). The web portal acts like a helpdesk where a customer may send a description about a required service and set its priority which affects the service price and response time. In other words the case company is able to adapt to the changing customer needs when they are identified.

The case company has to adapt since the trend seems to be that the customer needs are shifting from the CV-business to the projects. This can be seen from one of the Key Performance Indicator's that the case company is following. This KPI is Managed service index (MSI) which is rising and is now around 50% (Informant 3).

Key Performance Indicators.

Key Performance Indicators are roughly divided to two types, i.e. hard business indicators and employee well-being indicators. Examples of the hard business indicators are the MSI, cross-sales and utilization ration of the low-cost department. Additionally, the case company follows indicators which have been defined together with the KAM-customers. (Informant 3). An example of employee well-being indicator is the employee sick leave absence ratio. This indicator is used to identify possible health issues of the employees as early as possible and allows them to get support from the case company's early care program. In the end it can be seen that case company has many different KPI's, follows them and also acts upon them.

Sales Process

In the new market segment the initial contact to the potential customer is important. Therefore it is important to make a good first impression. Informant 4 informed about a problem that the sales is sometimes missing presentation material from some of the case company's services. Even though this problem may seem quite small as per se, it reflects to two different problems. Firstly the importance of giving a good first impression and making the customer contact channels is very high in a new market segment and therefore the importance of the presentation material should also be considered to be important. Secondly there seems to be a problem related to the roles and responsibilities in the sales process since making the presentation material is in the responsibility of the sales department itself. Another problem related to the roles and responsibilities is that Informant 4 also stated that the salespersons are not promoting the case company's new vision about differentiation on large and long-time customers. The reason for this is the fear that customer are not liking such change. However not promoting the case company's new vision reduces the possibility to produce a unique brand which would allow the case company to differentiate from its competitors. In the end it seems that the sales process has not yet been fully adapted to the Finnish food industry market segment.

Customer Relationship Management Process

One of the problems related to the key processes was that the customer data is lacking or it is not always utilized well. One way how this issue has been handled earlier was purchasing of customer data from external customer data provider (Informant 2).

Informant 2 points out the importance of networking in customer data gathering and also stated that the customer data moves very well inside the organization and there are no silos. However, the problem is not that the customer data is not moving internally, but in the customer data gathering process itself like Informant 1 stated:

“The leads should be stored in the new CRM system. Employees hear many things in the customers premises what could be utilized. Some information reaches us but it is minimal. This is one thing which should be improved throughout the case company.”

This statement shows that improving the process that would encourage the frontline employee's to gather customer data could allow to the case company to gather additional customer data. The process should also define, how the data is stored. This part of the process is already done since the case company has new CRM system for storing the customer data like the leads for new service opportunities. However all case company informants agreed that since the CRM system has only been used for some months, that there is no experience about it yet. Therefore its effectiveness cannot be evaluated. However, the new CRM system is also an example of the fact that the case company has identified a problem of lacking customer data handling process and made a corrective action.

4.2.4 Key Resources

In the engineering service business there is one key resource which is above everything else, and that is the employees. This can be seen from the statement of Informant 3:

“For example if we would buy another engineering service company and all the employees would leave, we would not get anything.”

This statement highlights the importance of skilled and motivated employees in the business. This also means that the reason for acquisition of service provider is typically related to a specific knowhow and the customer contacts that come with the sales persons.

Training of the employees is typically sufficient even though there is room for improvement especially for those employees working in the CV-business as mentioned in Section 4.2.1. This issue was identified in the interviews, through the researcher's own experience and via the case company's internal documentation. The main reason for this problem is that as long as the employees are working for the same customer in a long-term contract, and the customer does not demand additional training, it is not received either. This causes a problem when the contract ends and the employee returns from the customer to the case company's office. The employee is typically talented to work for the one customer, but does not necessarily possess any experience and required talent to work for the other customers. Training in this type of situation is typically ad-hoc and based on the amount of idle time the employee has. This means that employees may not be skilled enough to work in projects. This can be potentially damaging to the value proposition especially in cases of new customers which can be more critical evaluating the services they receive than older customers.

The CV-Business also poses the problem in resourcing as it ties the employee down to a certain customer. The most talented employees or "Gurus" are tried to be kept at the case company office and work in projects instead. However some customers have identified the talents and these persons might already have an important role in their organizations. Customers want to keep these persons in their organizations and hire them in form of CV-business service. This means that the role of these persons is so high that the customers do not accept substitute resources (Informant 3). On the other hand, this kind of situation in CV-business also means that the contact channel to the customer stays active.

In the new market segment one of the biggest problem is that the contact channels are lacking. This issue was confirmed by Informant 1 and Informant 2. One of the typical problems is to find the correct contact person, as Informant 2 said:

"It may be that we have been discussing with a certain contact person over a year until we have realized that it is a wrong guy"

This is an indication that the sales persons and the customer relationships handling has problems identifying the correct customer contact channels. The importance of contact channels is not related to the customer contacts only, but also to the internal contacts. Having a high number of internal and external contacts i.e. good networking is important as Informant 2 stated:

“Information about where the customer is going to is gained through multiple channels”

This means that when the contacts channels are wide and working well, customer data and possible leads for service offerings are gained even that the service provider is not pro-actively seeking those.

4.3 Identifying Customer Deep-needs

In this study, the customers were interviewed with the questions which were based on the author's views from the existing knowledge and additionally questions which were provided internally from the case company (data 1). The questions provided from the existing knowledge formed the base for the interview template. However, some aspects of business are market and company specific. Therefore these types of questions cannot be found from existing knowledge, and could only be provided from the case company itself. These questions were formed together with key stakeholders and are presented in other questions category in the interview template presented in Appendix 3.

4.3.1 Customer 1

The case company has managed to do some small business with Customer 1. At the moment the customer is satisfied with the services provided by the case company as Customer informant 1 stated:

“I would give 9 (on scale 4-10). The services have been constructive and the offered services have been introduced us very well.”

This means that the customer has been satisfied with the services that the case company has offered and therefore the reason that the customer is not ordering more services is not related to quality itself. The service that the customer used was automation analysis as Customer informant 1 stated: “Automation analysis has been a great tool in budgeting”. This is one example how the case company has managed to provide a service that is not provided by the competitors and has specific value for the customer. Therefore, gathering customer data and feedback is important to have an even better understanding of the customer needs and develop the services accordingly.

One problem seems to be that the awareness of the case company is not very good among its potential customers. Customer Informant 1 stated that he had not heard about the case company earlier and the initial contact between the case company and the customer was mainly done because the Customer's other factory and case company has regional office in the very same building. However, the informant also stated that the case company has provided very good information about its different services. This means that the actual problem is getting the initial contact with the potential customer.

In the end it seems that case company has managed to get their foot in the door and there is room for additional services, especially those related to automation. However, there are certain barriers since bigger companies like Customer 1 typically do not want to be dependent on only one service provider. Since Customer 1 wants to use multiple service providers, this barrier can also be an opportunity to the case company as Customer Informant 1 stated:

“The base related to the automation knowhow has been really narrow for us. This has been our own fault. We are trying to make the case company as other service provider to work along with our current service provider”

This means that the customer is willing to get additional services from the case company but for some reason is not doing so. The reason for this might be customer's tight maintenance budget, but it may also be that the case company is not offering such industry service that would perfectly fit to the customer's needs. The reason might also be that the customer does not fully trust to the case company because of the lack of references from the food industry. Customer Informant 1 also stated that the service providers should have better understanding of the customer's manufacturing process and hygiene and legal regulations. Customer 1 also uses wide variety of services like projects, hourly based services and maintenance deals with monthly fees.

4.3.2 Customer 2

Like with Customer 1, the case company has managed to do some minor business with Customer 2. The customer has been satisfied with the case company's services, however there has not been so much actual business yet. (Customer Informant 2).

The customer is using more services which are paid on hourly basis, but there are also some projects too (Customer Informant 2). Customer Informant 2 was also not aware of

the case company until the initial contact. The initial contact to the case company was made because the sales representative brought the customer contact with him from the previous employer.

The main needs of the customer are related to automation improvements and safety mappings. (Informant 2). Therefore it can be seen that the case company has services that match very well with the needs of the customer.

The main problems that the customer has among its service providers is that the service providers do not have enough knowledge about their manufacturing processes and hygiene and legal regulations (Informant 2). Informant 2 is satisfied with the case company services and stating that the reports they provide are good. However, Customer Informant 2 also stated that in the meetings the case company has too many representatives present. This means that the case company is not giving a very good first impression since having too many people may give a signal of inefficiency.

4.4 Existing Model and Customer Needs Comparison

Both internal and customer data sources brought out the fact that the case company has a problem in the awareness of the case company among the new potential customers. This is typical for a company which has entered in to a new B2B market segment and in the engineering business in general. The customer value proposition of the case company matches the needs of the customer quite well and also the case company has managed to adopt new services when new customer needs have been identified. The case company has also been able to provide safety and automation analysis services which bring new value to its customers and also potential for additional services in the future.

The case company needs to have a better understanding of the customer's processes and related hygiene and safety regulations. Hygiene and safety regulations are aspects that the case company can improve by itself, but the customer processes need familiarising together with the customer.

4.5 Summary of the Current state

As a summary, the strengths and weaknesses of the current business model compared to the customer's needs are presented in Table 5.

STRENGTHS AND WEAKNESSES OF THE CURRENT BUSINESS MODEL	PRIORITY	TYPE
CUSTOMER VALUE PROPOSITION		
+ Design service portfolio covers well the customer needs (CV-business, projects and maintenance deals with monthly fees).	HIGH	SERVICE
+ "Roll in" services which bring new potential long-term customer relationships (automation and safety analysis).	HIGH	SERVICE
- No equipment assembly services	HIGH	SERVICE
- No equipment installation services	HIGH	SERVICE
- The lack of understanding of customer (manufacturing) processes and market segment specific requirements (hygiene and safety regulations)	HIGH	INFORMATION
PROFIT FORMULA		
+ Low-cost country department allows better price competition in projects	HIGH	COST
- Quite high price on services (especially competing against small competitors)	HIGH	COST
KEY PROCESSES		
+ Good adaptation to the changing customer requirements	HIGH	CUSTOMER NEED
+ KPI's are well defined and followed	LOW	CRM
- Problems in project pricing and in roles and responsibilities related to (initial) customer meetings	HIGH	SALES
- Customer data gathering and handling process is lacking	LOW	CRM
- Case company does not promote its own vision "Engineering with differentiation" to its big or long-term customers. (Case company is "scared" of proposing changes to them)	LOW	BRAND
- Employee training and professional development is lacking or is ad-hoc (especially in CV-business)	LOW	EMPLOYEES
- Employee incentives for gathering new customer leads are very limited	LOW	EMPLOYEES
KEY RESOURCES		
+ Skilled key employees are able to lead and support projects	HIGH	EMPLOYEES
+ Relatively good deployment of key employees (mainly working in projects)	LOW	EMPLOYEES
- Company brand awareness along its potential customers is very low	HIGH	BRAND
- Customer contact channels are lacking	HIGH	BRAND

Table 5. Strengths and weaknesses of the current business model

In Table 5, the strengths are marked in black and weaknesses are marked in red. The most critical weaknesses that are considered to need improving are categorized as high priority. The consideration of the most critical weaknesses was done together with the case company's key stakeholders.

The alternative payment methods were considered to something that could bring new value to customers, however since both the case company and customers mentioned difficulties in the way it could actually be implemented, the current paying methods were considered to be sufficient.

One of the main problems of the case company is the lack of awareness among the potential customers. This issue can be considered typical for a company entering into a new market but there is more to it. Both Customers 1 and 2 claimed that they had not even heard about the case company before the initial contact, but some of its competitors do not share this problem. This can also be seen as the root cause for the problem of missing contact channels and the fact that only a very minor number of customers have made the initiation to contact to the case company and not vice versa. Naturally a service provider has to be a pro-active but resources to make the contacts and also the possibilities to find all the potential customers are also limited. Case company has done some efforts like "paying to Google" to improve the visibility of the case company, however it seems that it is not enough.

Another problem was that the case company has a vision to differentiate itself but it has not been very successful in doing so. This vision has not been pushed to the customers in the fear of losing some of them. By making more efforts to differentiation and really acting like it could bring a very unique reference which could also help to provide better visibility with new references for the case company.

The service portfolio of the company is quite wide and also fits quite well the needs of the customers. The low-cost department also gives the case company has limited ways to compete with the service prices in projects, even that the focus is more on the service quality. There are some problems related to the service portfolio since the food industry sector is mainly process industry. In the process industry the business is very much related to the equipment such as assembly lines. For example, Customer 2 expects that the materials also delivered in the turnkey based projects. Therefore the equipment acquiring and installation services are also expected. The case company does not have resources to do these and has to use external suppliers which bring the total offering costs so high that it is not competitive. This means that case company is constantly losing this types of service offerings to its competitors.

The problem of gathering and handling customer data was also present. However this issue has already been noted and the new CRM system was taken in use. There is no experience about it yet which would confirm how well it works. Therefore no actions should be done until there is more experience about the CRM system. However the CRM system is not priority in the new market segment because there are not so many customers and the customer relationships are young. In the end what could be improved is the utilization of frontline employees to gather the customer data. This could be improved by a process which could for example include an incentive system.

The case company has also offered different payment methods to their customers to pay for the projects such as annual fees based on how well the update on a certain assembly line actually is performing. However, this has proven to be problematic for both the case company and the customers so there is no real demand for such. In the CV-business the case company can always “sell its bills to creditors” if the cash is needed more quickly.

With the results of the Current State Analysis and the Conceptual Framework presented in Section 3, the next section focuses on building the initial business model proposal for the case company.

5 Building an Initial Business Model Proposal for the Finnish Food Industry Market Segment

In this section, the outcomes of the Conceptual Framework and Current State Analysis are merged to make a business model proposal for the case company. Sub-section 5.1 recaps the steps towards making the business model proposal. Sub-section 5.2 introduces the findings of Data 2 and finally the initial business model proposal is introduced in sub-section 5.3. In accordance with the roadmap by Johnson et Al. (2008) presented in section 3.3.1, this section corresponds to steps two and three in the map.

5.1 Findings of Data Collection 2

The case company has problems entering into a new market segment, namely the Finnish food industry. Therefore, the objective of this study is to propose an initial business model suitable for the new market segment entry. In section 3, the existing knowledge about business modelling was studied. Based on this analysis, a Conceptual Framework on best practices of business modelling was developed.

This Conceptual Framework was then applied to the analysis of the current state of the business model and the gap between the business model and customer needs in the case company. This analysis revealed a set of strengths and weaknesses that the case company's current business model has related to the target segment customer needs. In this section, a business model proposal is built based on the Conceptual Framework and the findings of the Current State Analysis. For this purpose, one workshop was conducted and it was followed by additional short conversations. Additionally, company internal documentation was utilized. These data sources form Data collection 2.

5.2 Development Needs

In this sub-section the development needs identified in the workshop (Workshop 1, Data 2) and interviews are presented. The business model needs to be built outside-in especially in a customer-centric service business, therefore the business model building starts from the CVP.

5.2.1 Customer Value Proposition

The CVP of the case company consist of a variety of different services. The case company acknowledges that it basically only offers CV-business and projects in its service portfolio. However, to increase the clarity of the different service offerings, in the new business model the services are presented under more specific categories.

Projects

Typical project service examples for the Finnish food industry customers include designing of a new manufacturing line or modernization of current equipment. In the workshop, it was concluded that among the customers in this market, there is more demand for project type services than CV-business. The reason for this is that typically the customers in this market segment do not have their own engineering departments and therefore they do not need additional engineering resources per se. This means that there is very small demand for CV-business in the industry and therefore it was decided that only minimal capacity to provide those is needed.

Maintenance Services

Continuous maintenance services based on a monthly fee also seem to have potential demands according to the interview of Customer 1. These types of services have also proven to be the most profitable. Therefore it was considered that these services need to be in the portfolio. The problems related to these types of services are hard competition and the fact that some customers have a tendency to rely on preferred service providers.

Analysis (Roll-in) Services

Both Customer 1 and Customer 2 also were satisfied with the automation and safety analysis services that the case company has provided. Therefore these “roll-in” services need to be in the CVP as a way to make new potential customer relationships. The importance of these services is initially very high since the case company does not have long-term customer relationships in the Finnish food industry market.

Food Industry Specific Services

The Current State Analysis revealed that both customers stated that the service providers do not have the required knowhow about the hygiene and process related regulations. Therefore there is a demand for a service provider which has this special knowhow about these requirements. It was discussed that the case company needs to have capability to provide assembly and installation services. There was also internal information that in the future the services related to raw material tracing have a potential demand. Therefore it needs to be studied whether this potential future demand could be satisfied with service.

Assembly and Installation Services

The Current State Analysis revealed that the case company has lost many potential customer deals due to the lack of assembly and installation capability. Therefore it was concluded that even though these services do not fit the strategy of the case company, they should be included. These services would have a similar role as the “Roll-in” services to get the potential long-term customer relationships. In the workshop, two alternatives were presented regarding how these services can be provided. The first alternative is forming partnerships and the second alternative is acquisition of suitable company. Acquisition may be difficult in a short timeframe and therefore the partnerships with multiple service providers is a more likely solution initially as stated in the workshop. The following workshop observations illustrate this point:

“The assembly service needs to be close of the site (small travel expenses)” (post-it #1, workshop 1)

“cost-efficient model which would work across Finland” (post-it #2, workshop 1)

These statements highlight that it is beneficial to use local partners whenever possible and therefore the network of partnerships could be more cost-efficient than an acquisition of a company.

The summary of the CVP findings is presented in Figure 4.

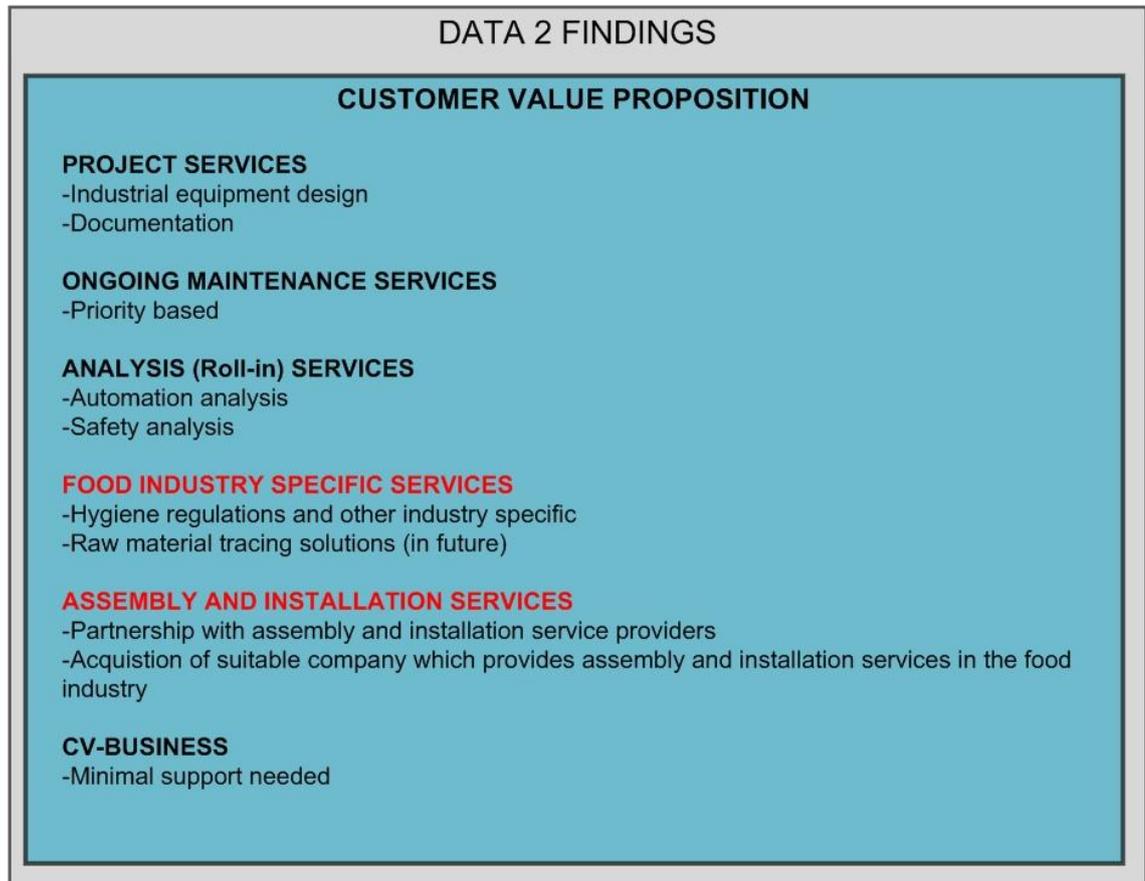


Figure 4. Customer Value Proposition findings

In Figure 4, those services that require little or no changes from the current business model are marked in black. Those services that are new or require actions from the case company are marked in red. Summing it up, it can be seen that the currently provided services fit well the new market segment per se. However, without the new additions the current services are not sufficient to fully satisfy the customer needs.

5.2.2 Profit Formula

The profit formula includes revenue streams and costs.

Revenue Streams

Revenue streams from each different type of service varies. Typically industrial equipment design services, for example process line modernization, is done as project type services where the customer pays as agreed in the project offering. The profitability of these depends heavily on how well the project scope and required resources were estimated. The maintenance deals have fixed monthly fees and have been the most profitable services. The analysis services have low margins and revenues. However, their main purpose as a "roll-in" service is not to make profits but to start new potential long-term customer relationships.

The assembly and installation do not really fit in the current strategy regarding the case company's service portfolio. However, the reason for providing these services is to be able to get those customer deals, which would be lost otherwise. These services are not considered to generate profits to the case company and therefore the case company will not put any additional margin to those.

Costs

Whether the case company decides to acquire a company to be able to provide assembly and installation services, there are going to be significant costs related to the acquisition.

Partnerships have costs related to the assembly and installation cooperation agreements. In the case of partnership there are initial costs related to making the agreements possible and costs related to purchasing these outsourced services

Recruiting new employees also has initial recruitment costs and additional salary costs. Utilizing the case company's low cost country services can be used to reduce the costs of projects.

The summary of the profit formula findings is presented in Figure 5.

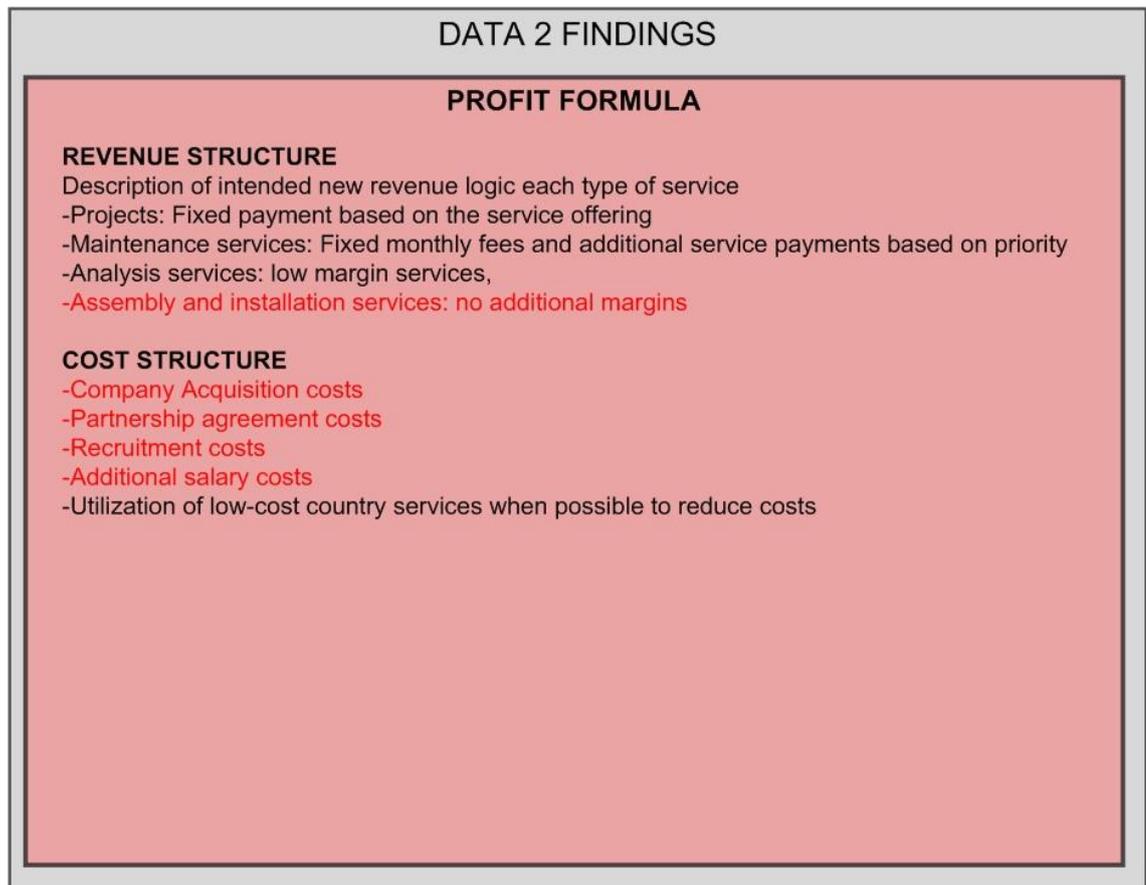


Figure 5. Profit Formula findings

In Figure 5, those aspects that require little or no changes from the current business model are marked in black. Those revenues and costs that require actions from the case company are marked in red. Summing up, it can be seen that the biggest change in the revenue structure is the addition of no margin services. In the cost structure there are many new costs related to acquiring the new services.

5.2.3 Key Processes

Customer Relationship Management Process

The Current State Analysis revealed that there are problems related to the customer relationship management. Therefore it is proposed that the customer relationship management needs to have its own separate process. The customer relationship management process needs to be focused on the new target segment, the Finnish food industry. The process needs to include well-defined guidelines for example initial customer meetings and presentation material. The roles and responsibilities of the sales persons need to be clearly stated.

Service Process

The service process is new Finnish food industry market specific process. Part of this new process is the current design process which covers the current service portfolio of the case company. However, additionally the service process needs to include the assembly and installation services.

Sales Process

The sales process is described in the internal documentation of the case company as part of Data collection 2. It describes that the sales persons need to be pro-active in identifying the customer needs, challenges and decision makers. Next the sales persons need to propose solutions and service quotations to the customer. The sales process ends to service delivery and it is detailed separately for the each type of services. The sales process works similarly in these services in the new target market sector as well. However, the new services in the customer value proposition include new types of services and therefore the sales process needs to be updated accordingly.

The summary of key processes findings is presented in Figure 6.

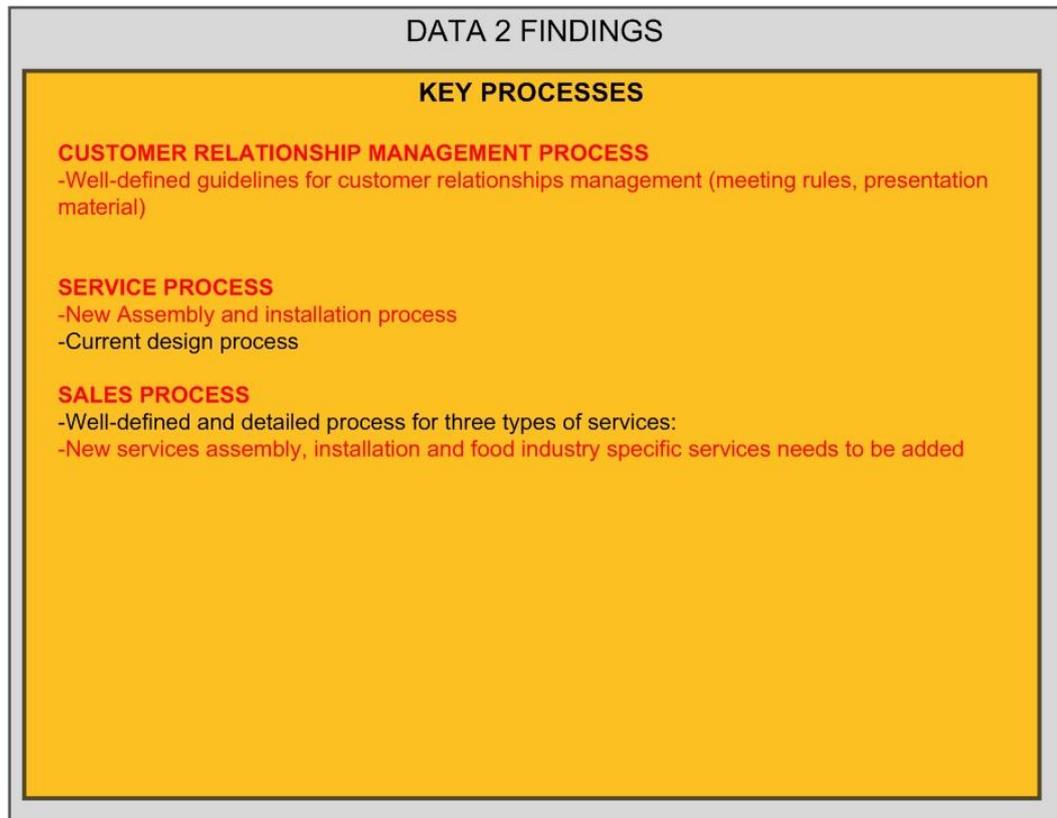


Figure 6. Key Processes findings

In Figure 6, those processes that require little or no changes from the current business model are marked in black. Those processes that require actions from the case company are marked in red. Summing up, it can be seen that mostly the current processes are sufficient but they need to be revised to include the new proposed services.

5.2.4 Key Resources

The key resources include those resources that the case company needs to successfully deliver the CVP. These include physical assets such as assembly and installation service capability. Additionally, the key resources include non-tangible resources such as specific competence and increase of brand awareness.

Assembly and Installation Service Assets

The case company does not have any assembly or installation resources. In the workshop it was concluded that there are two alternatives for how to acquire these resources. The first alternative is to form new partnerships with suitable assembly and installation service providers. The second alternative is to acquire a company which provides these services to the food industry. The former option would bring more knowhow from the food industry requirements, but it may be hard to find a suitable company. Therefore the first option can be considered to be more suitable as an initial solution. The drawback of the partnership is that the margin they take from their services may be too high but the benefit would be that the partner would also be responsible for the risks related to their services.

Specific Competence

Food industry specific competence is also required to be able to differentiate from the competitors. Therefore the case company needs to set up a designated task force which has this required competence. This task force would include sales forces and design engineers. The task force would be formed by recruiting the suitable personnel (from competitors) and also include necessary training.

Brand Awareness

The final resources lacking were the lacking customer contacts channels and brand awareness. The brand awareness of the potential customers needs to be increased. In the workshop, it was concluded that this can be achieved mainly by more aggressive footwork of the sales persons. Ultimately the brand can be finally formed by utilizing the Finnish food industry references when they are available.

The summary of the key resources findings is presented in Figure 7.

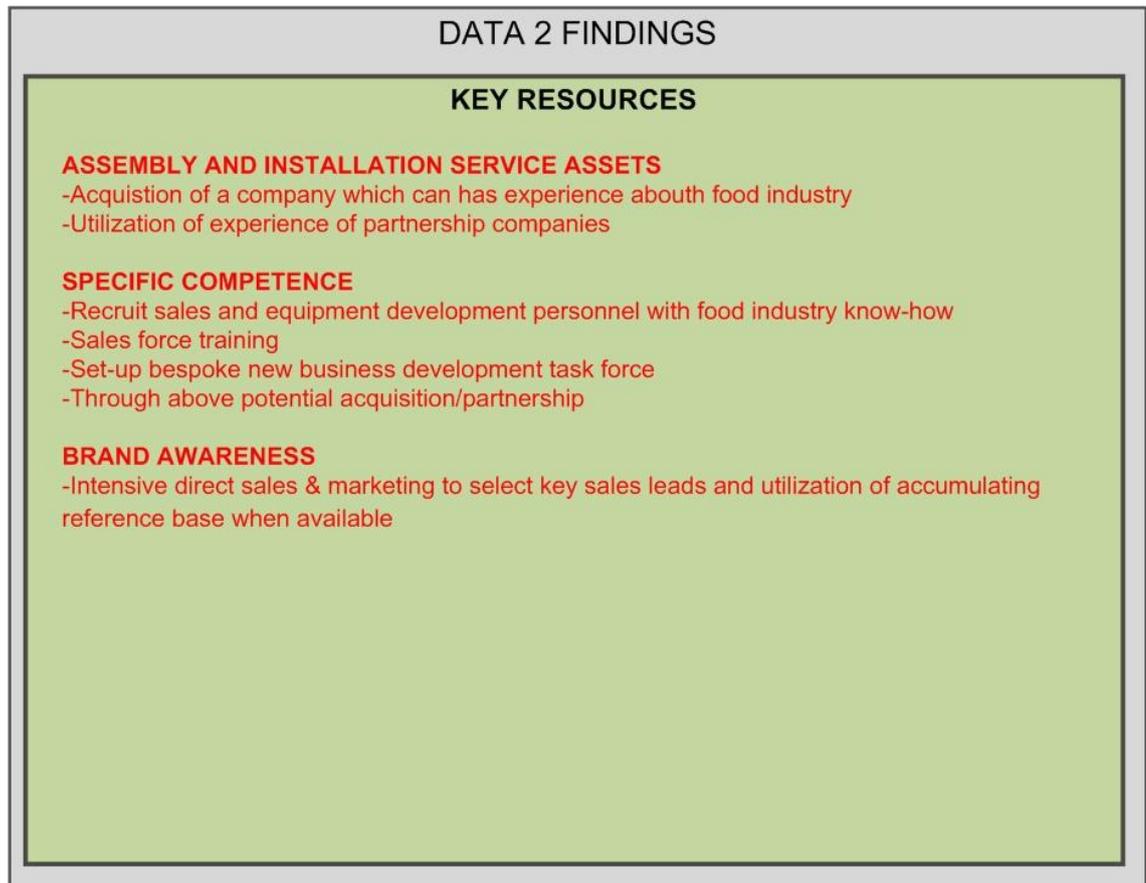


Figure 7. Key Resources findings

In Figure 7, those resources that require little or no changes from the current business model are marked in black. Those key resources that require actions to be viable are marked in red. To sum up, it can be seen that current key resources are lacking and thus are needed to provide the new services.

5.3 Initial Business Model Proposal

In this sub-section the four elements of business model are combined to the initial business model proposal. Next, the initial business model proposal is reflected against the Conceptual Framework of business model. The initial proposal is presented in Figure 8.

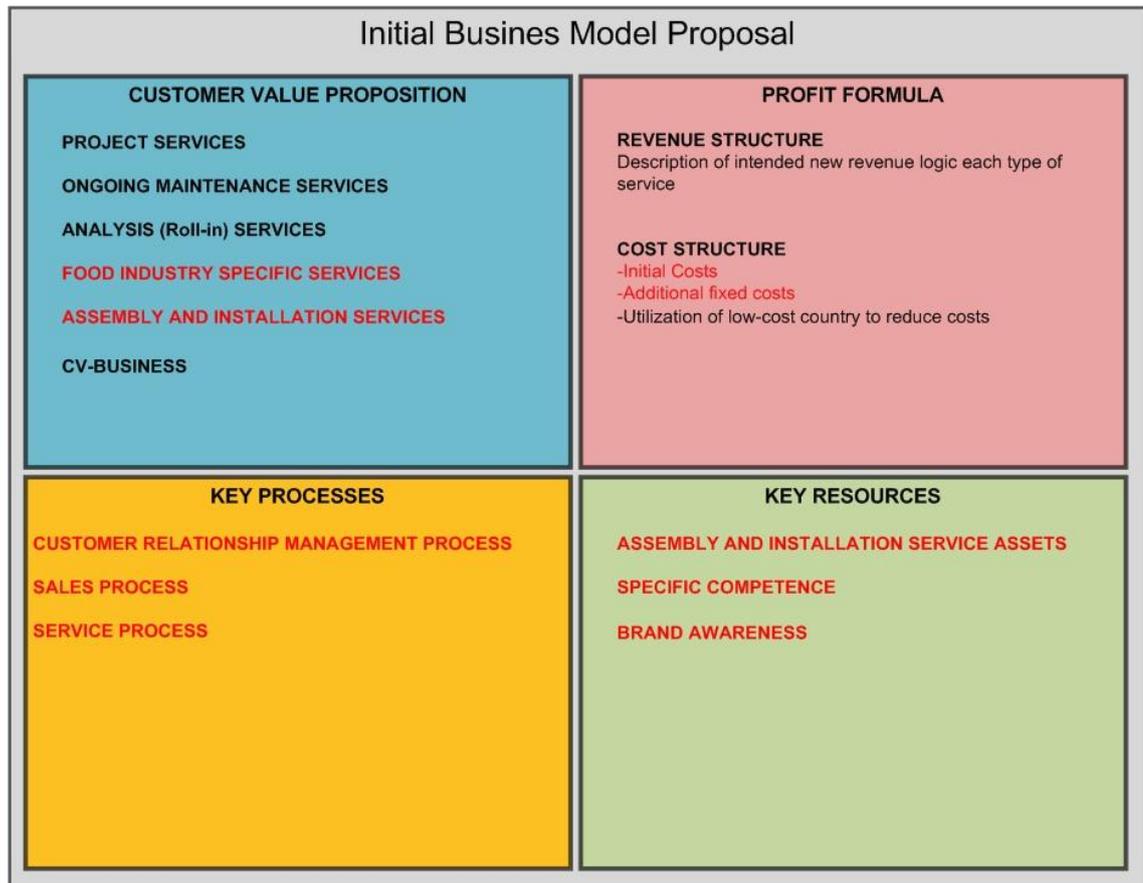


Figure 8. Initial Business Model Proposal

In Figure 8, the parts which are marked in red indicate that the case company needs to take actions. The ones marked in black mean that the case company can proceed in its current ways without any major changes.

Customer Value Proposition

The customer value proposition meets the most important aspects required. Firstly, it is aligned with the customer needs identified in the CSA. Secondly, adopting new types of services instead of trusting the current core-competence means that the CVP is built outside-in instead of inside-out. Thirdly, the CVP offers differentiation to the competitors in the form of lower costs via utilization of the low-cost country and also it targets to break the service providers' competence barrier of not knowing the industry regulations and customer processes. Finally the wide service portfolio targets to satisfy different customer values in the market.

Profit Formula

The profit formula describes the revenue streams of different services and the cost structure. Each service margin is based on the function of the services. Projects and continuous maintenance services are high-margin value added services, because those services are expected to bring the profits. The Services whose purpose is to make new customer relationships possible or to make the service offering price competitive have lower margins or no margins at all. The payment methods were also discussed with both internal stakeholders and customers. The current ways of dealing with payments was proven to be best for the case company and customers.

The cost structure describes what the ongoing fixed costs will be and what the initial costs will be if the case company wants to enter this market. The cost structure basically also states the commercial risk of making the market entry. The initial costs can also be considered as an investment to get in the market, and therefore in the beginning lower profit margins are to be expected.

Key Processes

The key processes of the business model include processes related to sales, services and customer relationships. In a customer-centric business these are the core processes since firstly these processes are needed to make the CVP and to reach the customers in the market. Secondly these core processes are repeatable.

Separate processes for making agreements with partners and employee competence training were also considered. However these processes are only needed initially and are not repeatable. Therefore they were not considered to be key processes.

Key resources

The key resources need to include certain important assets to build the CVP. The physical assets to be acquired are either a new company or alternatively partnerships. The non-tangible assets are the current employees and also the new task force that needs to be formed. This task force can be seen as an investment that the case company makes in the form of recruiting and training the current employees so that they can excel in competence.

The lacking customer channels and brand awareness are enhanced with improvements in sales resources and in the future with the possible new references.

6 Feedback on Initial Proposal

This section is divided in three sub-sections. Sub-section 6.1 presents the feedback received from the initial business model proposal presented in section 5. Based on the feedback, the final business model proposal is built in section 6.2. Finally in the sub-section 6.3 recommendations for the next steps for the case company are presented.

6.1 Findings of Data Collection 3

The initial business model proposal was presented to the key stakeholders in a workshop to obtain feedback (Workshop 2). The key stakeholders include regional manager, and automation and electric department managers. Based on this feedback given in the workshop the initial business model proposal was improved. This improved business model is the Final business model proposal and the outcome of this Thesis.

6.2 Final Business Model Proposal

The initial business model was presented in a workshop to all the key stakeholders which provided feedback to it. All four elements were evaluated separately. The outcome of the workshop was several improvements to the initially proposed business model. The suggested improvements to the initial business model proposal are presented in Figure 9.

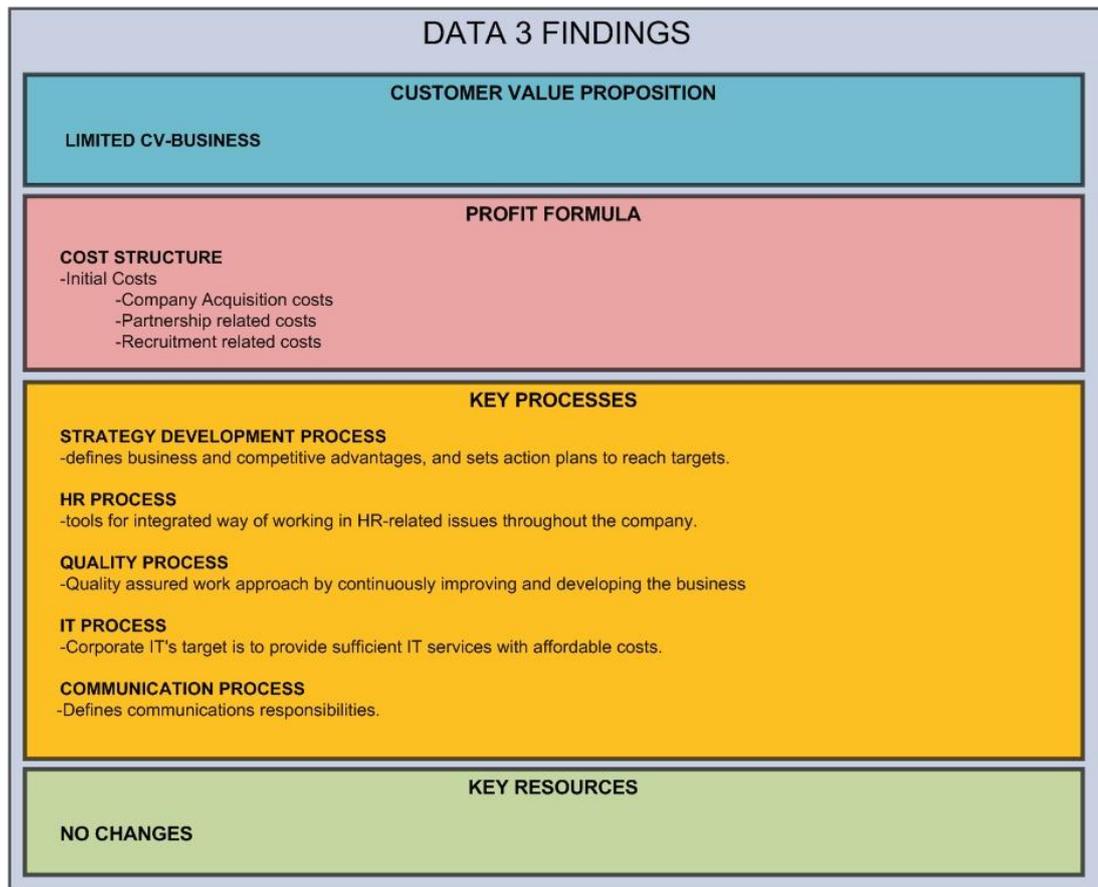


Figure 9. Data 3 findings - Suggested additions to the business model

In the workshop, the initial customer value proposition was presented and it was approved by the key stakeholders without major changes in the final proposal. The only minor change was to further highlight that the demand for CV-business in the Finnish food industry market is very limited. Therefore the role of CV-business was also re-phrased to limited CV-business as shown in Figure 9.

The initial profit formula was presented and it was also approved without major changes. However, based on the feedback it was decided that the acquisition costs, partnership costs and recruitment costs need to be more precisely described as initial market entry costs only.

Key Resources were presented and were approved as they are by the key stakeholders. Therefore no changes to key resources were made for the final proposal.

Key Processes listed in the business model were discussed and accepted by the key stakeholders. However it was noted that some of the company's existing key processes

are missing from the initial proposal. These processes are companywide processes in the case company and therefore they will not be changed. Still, these processes need to be included in the final business model proposal. The processes that were added are: Strategy Development Process, HR Process, Quality Process, IT Process and Communication Process. The short definition of these processes is presented in Figure 9.

Next, these improvements were implemented in the initial business model and thus the final outcome is the final business model proposal presented in Figure 10.

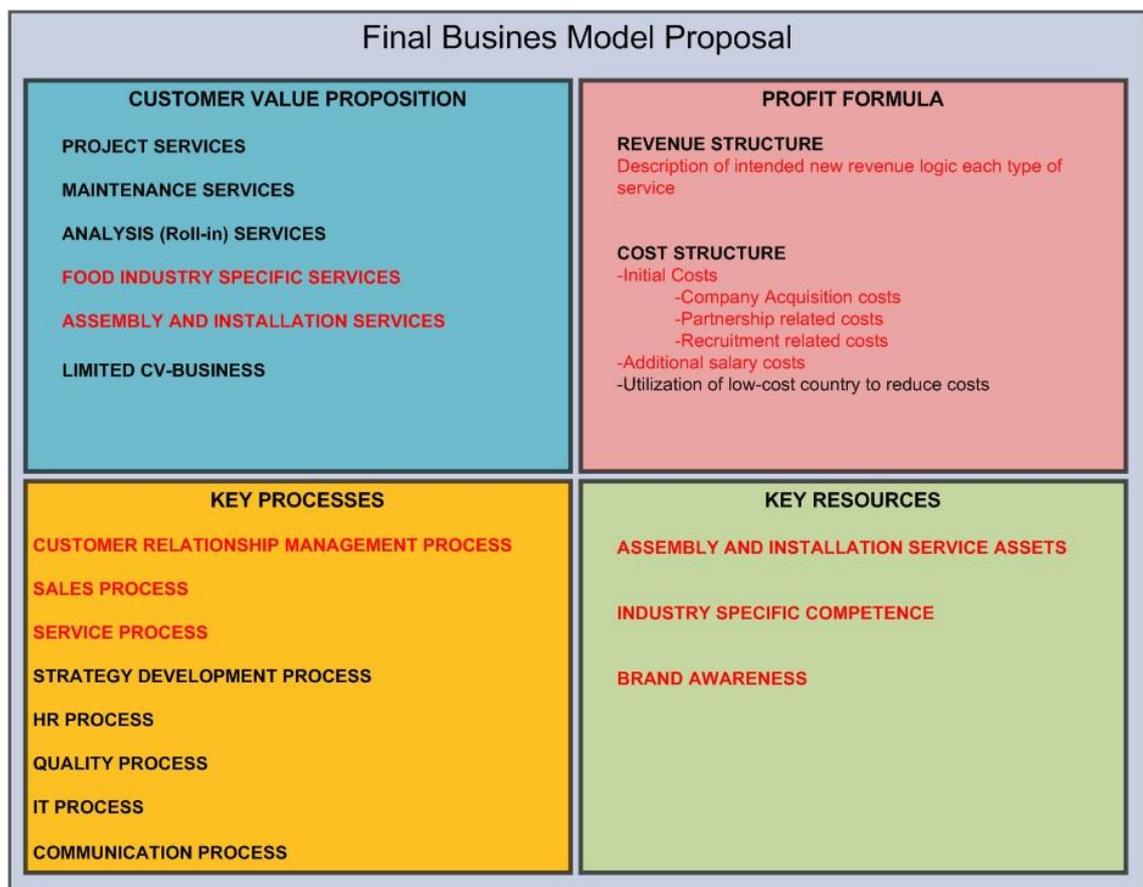


Figure 10. Final Business Model Proposal

In Figure 10, the parts marked in red need actions from the case company. It can be seen that all the four elements of the business models need actions before the new business model can be fully utilized in the case company.

6.3 Managerial Recommendations

This Thesis provided a business model proposal for the Finnish food industry market segment. The proposal was based on both internal and external customer data and best practices of business modelling. The customer data collection (Data 1) was somewhat limited. However, the customer data is sufficient enough to start building the business model for a chosen case customer. The focus of this section is to present recommendations for next steps, define the target of the proposed business model as well as propose required actions and responsibilities.

Recommendation

The next practical step would be to estimate the total costs of building the new business model and evaluate whether the entry to the Finnish food industry market segment is financially feasible for the Case Company. If it is estimated that the market segment is still profitable, the next step is to start building and start using the proposed business model for the following reasons. Firstly, the best possible business model is impossible to develop without testing it first in the real business environment. Secondly, the current business in this market segment is limited so there are no significant risks of losing any business in the case the business model does not perform as expected. Thirdly, if the new business model is successful it will bring valuable data and a possibility to improve the business models in the other market segments as well, especially in other process industries. Finally, even though the new business model is not perfect, it includes grounded improvements to the current business model regarding all four key elements. Therefore, the business model proposal can be seen as the first grounded iteration round and revision of the current business model for the Finnish food industry market segment. Part of the future iteration is constant development of new services. For example Data 1 revealed that there is a potential demand for services related to raw material tracing in the following years.

Target of the new Business Model

It is recommended that the case company decides to start taking actions to build the proposed business model for a chosen customer case. The customer that is recommended to be chosen as a case example is Customer 1 for the following reasons. Firstly, Customer 1 does not require the installation or assembly services. Therefore, the business model can be taken in use fast and tested even though there are currently no part-

nerships or an acquired company available. Secondly there has already been small business with the customer and according to the data from the customer interviews (Data 1), there seem to be more potential demand for additional services related to automation. Accordingly, Customer 1 is also the more likely customer to provide the first reference from the new market segment. The first customer reference is vital for the improvement of brand awareness in the Finnish food industry market segment. Summing up, the next steps should be to get feedback from Customer 1 about the new proposed services in the CVP. Additionally, it would be advisable to determine the roles and responsibilities to build the actual business model, select a case customer and test the business model.

Required Actions

Building the business model requires a set of actions that are needed to be taken before the final business model proposal built in section 6 can be taken into use. These actions need to be taken in the opposite order than the business model proposal was built. First the processes and resources need to be acquired before the CVP can be built and costs and margins in the profit formula determined. These actions are presented in Figure 11.

The first set of actions (action 1) is to collect feedback from the case customer about the industry specific services. The second action (action 2) is to start introducing all the new proposed services to the customers. This way it is confirmed that the case customer really needs these industry specific services and also the customers are informed about the new service offerings.

The third action (action 3) is to acquire the required key resources. This includes acquiring the assembly and installation services as well as forming the required task force. Initially partnerships are a more viable option than acquisition of a company for the following reasons. Firstly, the risks and costs are smaller than in acquisition of a company. Secondly, the partnerships can be formed faster than acquisition. Finally, the partnerships can be formed more locally, to reduce the travel expenses. Forming the proposed task force requires that the case company recruits new employees that have either sales or engineering expertise from the Finnish food industry segment. The most likely way to find such employees is to try to recruit them from the competitors.

The next action (action 4) is to form the required key processes. The new processes related to the new services need to be defined. Sales and customer relationship processes need to be revised according to the requirements of the new market segment.

After the required resources and processes have been acquired, the next action (action 5) is to determine the margins for the new services. Initially low or no margin business should be considered to get the first customer case and to acquire the first reference from the Finnish food industry market segment. Finally, the future action (action 6) is to start utilizing the references when they are available. Summing it up, the following steps are needed in order to make a successful market entry by utilizing the new business model and these steps are presented on a timeline in Figure 11.

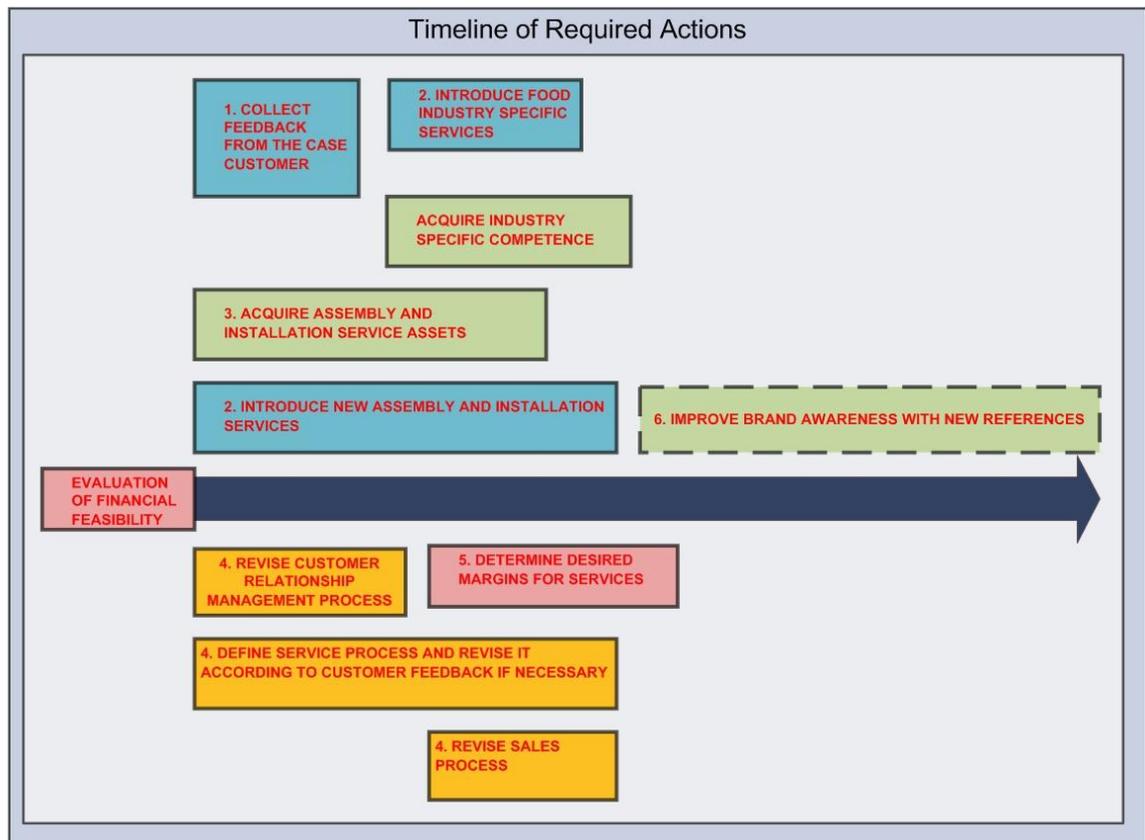


Figure 11. Timeline of required actions

In Figure 11, the estimated length of the actions is shown in the actions. Some actions can be started simultaneously while some actions such as acquiring the industry specific competence can be done after the feedback from the case customer has been received.

Responsibilities

The responsibilities for the tasks needs to be defined. The responsibilities for all the tasks related to the business model proposal are presented in Table 6.

TASK	RESPONSIBILITY	LENGHT
CUSTOMER VALUE PROPOSITION		
INTRODUCE FOOD INDUSTRY SPECIFIC SERVICES	Sales	Months
INTRODUCE ASSEMBLY AND INSTALLATION SERVICES	Sales	Months
PROFIT FORMULA		
ESTIMATE COSTS	Electric and Automation departments	1 Month
DETERMINE DESIRED MARGINS FOR SERVICES	Electric and Automation departments	1 Month
KEY PROCESSES		
REVISE CUSTOMER RELATIONSHIP MANAGEMENT PROCESS	Quality	< 1 Month
DEFINE SERVICE PROCESS	Quality	Months
REVISE SALES PROCESS	Quality	< 1 Month
KEY RESOURCES		
ACQUIRE ASSEMBLY AND INSTALLATION SERVICE ASSETS (PARTNERSHIP OR ACQUISTION OF A COMPANY)	BU Director	Months
ACQUIRE INDUSTRY SPECIFIC COMPETENCE	Electric and Automation departments	Months
IMPROVE BRAND AWARENESS	External Communicati- ons	Years

Table 6. Task responsibilities

Table 6 shows that the BU Director decides whether the new assembly and installation services are acquired. Electric and Automation departments are responsible for acquiring the required competence and deciding the pricing of the services. Ultimately, building the business model successfully requires cooperation between automation, electric, quality and sales departments. The times required to complete each actions are estimates.

7 Discussion and Conclusions

This section contains the summary of the Thesis, presents managerial implications and finally includes with an evaluation and final words of the Thesis.

7.1 Summary

The goal of this study was to propose a business model for the case company which would enable the case company to make a successful entry to the new market segment, the Finnish food industry.

The Conceptual Framework provided a framework for the business model which is based on the best practices of business modelling in the existing knowledge. The business model framework consists of four elements: customer value proposition, profit formula, key processes and key resources. Additionally the Conceptual Framework included internal and customer interview templates used in the Current State Analysis.

The Current State Analysis was based on a first round of data collection, and included 6 internal and 2 external interviews. The CSA revealed shortcomings in the case company's current business model compared to the customer needs in the Finnish food industry market segment. These shortcomings included the lack of market segment specific services, the fact that the case company has no assembly and installation services and that the brand awareness of the case company among its customers is low. Additionally the key resources, processes and profit formula need to be adjusted according to these shortcomings.

The initial business model proposal was built based on the findings of the Current State Analysis and the best business modelling practices. The initial business model proposal defined what the four elements of the business model contain. First, it was defined that the customer value proposition requires additional services. In the profit formula the revenue streams and cost structure of the services were defined. Next, the key processes and resources required to build the new customer value proposition were defined.

The initial business model proposal was presented to the key stakeholders which provided feedback. The feedback was utilized to form the final outcome of this Thesis, the final business model proposal for the Finnish food industry market segment.

The final business model proposal consists of the four key elements of the business model, namely customer value proposition, profit formula, key processes and key resources. The services presented in the CVP have been developed according to the industry specific requirements of the customers. The profit formula defines the revenue sources and the margins of services according to the service roles. Alternative service payment methods have been explored and the existing solution was proven to be the most suitable to both the case company and to the customers. The profit formula also defines the new cost structures related to the new services. Finally the key resources and key processes required to build the new CVP were defined.

In conclusion, all the four key elements of the business model have been defined according to the requirements of the customers of the Finnish food industry market segment. Therefore, it can be stated that the final business model proposal provided by this Thesis offers a grounded solution to the case company's business challenge of making a successful market entry.

7.2 Managerial Implications

This section presents a short summary of managerial implications. The detailed recommendations of next action steps are presented in section 6.3.

The first task recommended is to determine the financial feasibility of the new business model proposal by estimating the costs and evaluating the profitability of the services. If the business model is financially feasible the new business model should be taken in use and the following actions are recommended:

- Introduce the new services to the chosen case customer and collect feedback
- Build the business model for a selected case customer
 - Feedback from the case customer about the proposed services
 - Set up the described task force by recruiting industry specific competence and sales person(s)
 - Form required partnerships (or acquire a company) for the required assembly and installation services
 - Define and revise the required key processes
 - Determine the desired margins for the new services

- Target to acquire the first reference from the Finnish food industry market segment
- Utilization of the new references when available

The responsibilities to the recommended tasks are presented in section 6.3 table 6. The BU director is responsible for forming the required partnerships or acquiring a company. The Sales department has responsibility to introduce the new services to the customers. The Electric and Automation departments are responsible for setting the desired margins to the services, evaluating new costs and acquiring the required resources. The Quality department's responsibility is to adjust and define the required key processes accordingly.

After performing these tasks which are required to build the proposed business model, it would be advisable to take the business model fully in use and test it in the real market environment. Thus, the future implications are to evaluate the performance of the new business model, identify the potential new services and revise the business model when needed.

7.3 Evaluation of the Thesis

In this sub-section it is evaluated how the outcome of this Thesis matches the research objective defined in the beginning of this study. Additionally the reliability and validity of this Thesis are evaluated.

7.3.1 Outcome vs Objective

The objective of this study was to propose a business model suitable for the new market segment entry. The result of this study was a new improved business model which included data from both internal and external key stakeholders. Therefore it can be concluded that the result of the Thesis meets the objective. However, the real business impact of the new business model can only be verified by testing it in the real business environment. After testing the business model the final evaluation can be done and the business model revised accordingly if needed.

The research process in this study was mostly successful. The interview templates utilized in the CSA worked very well (Appendix 2 and Appendix 3). They also received positive feedback from the key stakeholders. The templates included many questions and this allowed the researcher to adapt the semi-structured interviews based on the answers of the informants. The high number of questions was useful for interviewing informants who provided short answers. For those informants who provided more data, some questions could be skipped if deemed necessary. Finally, the templates can also be used in the future for developing new business models for other market segments as well.

The business model proposed in this study is mainly limited for making the entry to the new market segment. Even though the case company has some general customer data from the market segment, more detailed customer data is only available for the two customers interviewed. Therefore this business model proposal can be considered to be most effective when it is utilized for a chosen case customer only.

7.3.2 Reliability and Validity

The validity and reliability of this Thesis were ensured by involving multiple key stakeholders and steps in the data collection. Audio recording of interviews was not possible to be used in the interviews, so there is a possibility of errors in the rich data. However, field notes were made from all the interviews and the field notes were sent and reviewed and commented on by the interviewees to minimize missing data and misunderstandings. The researcher also utilized his own knowledge and experience about the case company in the Current State Analysis. To reduce and prevent the possible researcher bias, the researcher tried to find at least a second data source for such cases, for example with the problem related to employee training in Section 4.2.4.

The internal data collection included the necessary key stakeholders related to the business challenge. However, some of the key stakeholders were unable to fully participate in all the meetings. Therefore it is possible that some potential rich data was lost due to these absences. To prevent losing the rich data, the conclusions and decisions made in the workshops were informed to all key stakeholders afterwards. This allowed the absent key stakeholders to give comments afterwards.

The external data collection included two customers who were both interviewed only once. This can be seen as a quite narrow data source. The original plan was to interview more customers, but those customers did not want to participate in the interviews. However, this is not considered to be a major issue in the research since this study proposes to use one of the interviewed customer as a case example. The second customer interview supports the assumption that the customer needs are relatively similar in this type of market segment. Additionally, the case customer can be utilized to provide additional data by introducing the new services and collecting feedback from it.

7.4 Closing Words

Competition in most markets is very high today and markets evolve rapidly. This means that companies need to differentiate and constantly adapt to changing customer requirements. As this Thesis shows, even experienced companies need to adapt their ways when customer requirements change due to a new market segment. In this study, the need for adaptation in the new market was identified and a new business model proposal was developed to enable the adaptation. Even though the developed business model proposal may not be perfect, it is a step closer to meeting the customer requirements. This step can be a key which opens doors to deeper customer relationships and reveals the way for the next steps to be taken.

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Business modelling questions by different authors.

No	Question	Target	Author	Framework
1	Who is going to use the business model?	Internal	Baden-Fuller & Morgan	Business Model
2	What is it the business model used for and how is it used?	Internal	Baden-Fuller & Morgan	Business Model
3	Which service attributes does the firm target for excellence?	Internal	Frei	Customer Value Proposition
4	Which service attributes can be compromised in order to excel in others?	Internal	Frei	Customer Value Proposition
5	How do the service attributes match with customer priorities?	Internal	Frei	Customer Value Proposition
6	Are customers paying as good as possible?	Internal	Frei	Profit Formula
7	Can operational benefits be reaped from service features? (customer feedback?)	Internal	Frei	Profit Formula
8	Are there longer-term benefits to current service features?	Internal	Frei	Profit Formula
9	Are customers happily choosing the work or just trying to avoid more worse alternatives?	Internal / Customer	Frei	Profit Formula
10	What makes employees reasonable able to produce excellence?	Internal	Frei	Key Resources
11	What makes employees reasonable motivated?	Internal	Frei	Key Resources
12	Have jobs been designed so that the employees can meet the challenges (selection, training motivation)? Is it even known?	Internal	Frei	Key Resources
13	Which customers is the case company incorporating into your operations?	Internal	Frei	Key Processes
14	What is incorporated customers job design?	Internal	Frei	Key Processes
15	What have you done to ensure that they have the required skills to do the job?	Internal	Frei	Key Processes
16	How are the gaps in the performance managed?	Internal	Frei	Key Processes
17	Are the decisions made in one dimension supported by those made in the others?	Internal	Frei	Business Model
18	Doesn the BM create long-term value for customers, employees and shareholders?	Internal	Frei	Business Model
19	How well do the extensions of core-business fit to the existing BM?	Internal	Frei	Business Model
20	Is the case company trying to provide all the things to all the customers or specific things to specific customers?	Internal	Frei	Business Model
21	What is the Job that needs to be done?	Customer	Johnson et al.	Customer Value Proposition
22	How are costs allocated?	Internal	Johnson et al.	Profit Formula

23	What are our key resources?	Internal	Johnson et al.	Key Resources
24	Which are our key processes, rules, metrics and norms?	Internal	Johnson et al.	Key Processes
25	Is there reasons why old BM does not work?	Internal	Johnson et al.	Business Model
26	What are the key metrics of our processes?	Internal	McGrath	Key Processes
27	What Are the constraints and those be turned to advantage?	Internal / Customer	McGrath	Customer Value Proposition
28	Can we learn something from our competitors business model?	Internal / Customer	McGrath	Business Model
29	How should new customer information be handled?	Internal	McGrath	Key Processes
30	Can we find new ways to differentiate for example annuity model?	Internal / Customer	McGrath	Profit Formula
31	How can we adapt to the changing customer values?	Internal	McGrath	Key Resources
32	Can we find new ways to deploy our key Resources?	Internal	McGrath	Key Resources
33	Can we consider some form of "free business model"?	Internal	McGrath	Business Model
34	Is the focus of our current BM outside-in or inside-out?	Internal	McGrath	Business Model
35	How can business processes be aligned to customer processes in efficient way?	Internal	Moormann	Key Processes
36	What are the characteristics of customer processes?	Customer	Moormann	Customer Value Proposition
37	How can customer processes be identified?	Internal	Moormann	Business Model
38	Who are our most important customers?	Internal	Osterwalder	Customer Value Proposition
39	For whom are we creating value?	Internal	Osterwalder	Customer Value Proposition
40	What value do we deliver to the customer?	Internal	Osterwalder	Customer Value Proposition
41	Which one of our customer's problems are we helping to solve?	Internal	Osterwalder	Customer Value Proposition
42	Which customer needs are we satisfying?	Internal	Osterwalder	Customer Value Proposition
43	What bundles of products and services are we offering to each Customer Segment?	Internal	Osterwalder	Customer Value Proposition

44	Through which Channels do our Customer Segments want to be reached?	Customer	Osterwalder	Customer Value Proposition
45	How are we reaching them now?	Internal	Osterwalder	Key Processes
46	How are our Channels integrated?	Internal	Osterwalder	Key Processes
47	Which ones work best?	Internal	Osterwalder	Key Processes
48	Which ones are most cost-efficient?	Internal	Osterwalder	Key Processes
49	How are we integrating them with customer routines?	Internal	Osterwalder	Key Processes
50	How do we raise awareness about our company's products and services?	Internal	Osterwalder	Key Processes
51	What type of relationship does each of our Customer Segments expect us to establish and maintain with them?	Customer	Osterwalder	Customer Value Proposition
52	Which relationships have we established? How costly are they?	Internal	Osterwalder	Key Processes
53	How are they integrated with the rest of our business model?	Internal	Osterwalder	Key Processes
54	For what value are our customers really willing to pay?	Customer	Osterwalder	Profit Formula
55	For what do the customer currently pay for?	Customer	Osterwalder	Profit Formula
56	How are they customer's currently paying?	Customer	Osterwalder	Profit Formula
57	How would they prefer to pay?	Customer	Osterwalder	Profit Formula
58	How much does each revenue stream contribute to overall revenues?	Internal	Osterwalder	Profit Formula
59	What key resources do our value propositions require?	Internal	Osterwalder	Key Resources
60	Which key resources our customer channels require?	Internal	Osterwalder	Key Resources
61	Which key resources do our customer relationships require?	Internal	Osterwalder	Key Resources
62	Which key resources do our revenue streams require?	Internal	Osterwalder	Key Resources
63	What key processes does the CVP require?	Internal	Osterwalder	Key Processes
64	What key processes are required to maintain our customer channels?	Internal	Osterwalder	Key Processes
65	What key processes are required to maintain customer relationships?	Customer	Osterwalder	Key Processes
66	What are our revenue streams?	Internal	Osterwalder	Key Processes
67	Who are our key partners?	Internal	Osterwalder	Key Resources
68	Who are our key suppliers?	Internal	Osterwalder	Key Resources
69	Which key resources are we acquiring from partners?	Internal	Osterwalder	Key Resources
70	Which Key Activities do partners perform?	Internal	Osterwalder	Key Resources
71	What are the most important costs inherent in our business model?	Internal	Osterwalder	Profit Formula
72	Which key resources are most expensive?	Internal	Osterwalder	Profit Formula
73	Which key activities are most expensive?	Internal	Osterwalder	Profit Formula
74	What are the available value streams?	Internal / Customer	Teece	Profit Formula

75	How is the service used and how it solves customer's problem?	Internal / Customer	Teece	Customer Value Proposition
76	Does competitive offer exists and how it can be blocked?	Internal	Teece	Key Processes
77	Is there anything that prevents the competitors copying our advantage provided by the BM?	Internal	Teece	Business Model
78	How should the service be presented to the customer as a solution instead of novelty?	Internal	Teece	Customer Value Proposition
79	Are the costs volume sensitive?	Internal	Teece	Profit Formula
80	What will it cost to deliver value to customer?	Internal	Teece	Profit Formula

Internal Interview Template

1 Starting point:

the interviewee describes his/her experience in view of the topic/problem

Can you briefly describe how the current business model works? Is there for example chart available?

How is the business model involved in your work?

When was the latest update or review done on the business model?

In what data is the current model based on?

Can you provide some additional internal data about the business model which could be useful?

2 Identify strengths/problems

Have you found the current business model successful?

What are the strengths?

What are the weaknesses?

3 Key concerns

What are your key concerns about the current business model?

What customer data is lacking?

4 Analysis

In which areas should the current model be improved?

5 Best practice

Do we have some guidelines of how should the business model be built?

What are the key stakeholders that should be involved?

6 Development needs

How could the company avoid the problems that the current business model has?

7 Customer Value Proposition of the current business models

Which service attributes does the firm target for excellence?

Which service attributes can be compromised in order to excel in others?

How does the service attributes match with customer priorities?

What value do we deliver to the customer?

Which one of our customer's problems are we helping to solve?

What bundles of products and services are we offering to this customer segment?

How should the service be presented to the customer as a solution instead of novelty?

How is the service used and how it solves customer's problem?

Are there some barriers that can be turned to advantage?

8 Profit Formula of the current business model

Are customers paying in the best possible way?

Can benefits be reaped from service features?

(for example customer feedback)

Are there longer-term benefits to current service features?

How are the costs allocated in the services?

How much does each revenue stream contribute to overall revenues?

What are the most important costs inherent in our business model?

Are the costs volume sensitive? What will it cost to deliver value to the customer?

9 Key Processes of the current business model

Which are our key processes, rules, metrics and norms?

How should new customer information be handled?

How can business processes be aligned to customer processes in efficient way?

How do we reach our customers?

Which channels have been proven to be most efficient?

How are we integrating them with customer routines?

How do we raise awareness about our company's products and services or brand?

What key processes does the CVP require?

What key processes are required to maintain our customer channels?

10 Key resources of the current business model

What makes employees reasonable able to produce excellence?

What makes employees reasonable motivated?

Have jobs been designed so that the employees can meet the challenges? Is it even known?
(selection, training motivation)

What are our key resources?

How can we adapt to the changing customer requirements?

Can we find new ways to deploy our key Resources?

What key resources do our Value Propositions require?

Do we have any key partners or suppliers?

What key resources are required to run our key processes?

11 Competitors and their business models

Who are our competitors?

What kind of competitive offers exists and how they can be blocked?

Can we learn something from our competitors business model?

Is there anything that prevents the competitors copying our advantage provided by the BM?

12 Current business model

Are the decisions made in one dimension supported by those made in the others?

Does the BM create long-term value for customers, employees and shareholders?

How well do the extensions of core-business fit to the existing BM?

Is the case company trying to provide all the things to all the customers or specific things to specific customers?

Is the focus of our current BM outside-in or inside-out?

How can customer processes be identified?

Customer Interview Template

1 Starting point:

The interviewee describes his/her experience in view of the topic/problem

What is the job and role of the interviewee in the organization?

Does the interviewee participate to the purchasing process of the services?

What type of service would the customer prefer from following alternatives:

- a) Hire single engineer to help in the customer project
- b) Hire multiple engineers and/or team leaders to help in the customer project
- c) Case company would handle part of project
- d) Turn-key based projects
- e) Something else?

Would you like that in addition to documentation and planning the service provider would also provide the materials and manufacturing?

Where does the customer know the case company from?

2 Customer Value

2.1 Customer Needs

What kind of services are needed?

Which parts of the service are the most important to the customer?

How does the customer use the services?

Do the services used solve the customer's problem?

2.2 Barriers

What kind of barriers are related to the satisfying the customer need? (technology, legal etc.)

2.3 Customer Processes

What kind of service related processes does the customer have?

How does the purchasing process of the customer work?

Which channels would the customer prefer to be reached?

Who are responsible for making the decisions of service purchasing?

What kind of relationships to the service providers would the customer like to have (pro-active for example)?

3 Service and Payment

3.1 Current services

What type of services has the customer purchased earlier?

What type of services would the customer like to purchase?

Is the customer satisfied about the purchased services?

3.2 Payment methods

How are the services paid currently and is this way suitable?

Would a bonus payment method partly based on how well the project reached its target be acceptable?

(10% efficiency increase for example)

4 Other service providers

How large is the scope of those services?

What is the yearly spending of services?

Are the current services meeting the requirements of the customer?

Where has the customer been purchasing services earlier?

What should be improved in the current services?

Data 1 Informant 3 Interview

Research Interview (Discussion)

TOPIC: Current Business Model of the Case Company

Information about the informant (Interview 1)

Table 1

Details	
Name (code) of the informant	Informant 3
Position in the case company	Manager
Date of the interview	2.3.2016
Duration of the interview	2h 20min
Document	Field notes

Field notes (Interview 1)

Table 2

	Topic(s) of the interview	QUESTIONS <Your questions to the informant(s)>	FIELD NOTES <Your brief accounts of their answers>
1	Starting point: the interviewee describes his/her experience in view of the topic/problem	<p><i>Can you briefly describe how the current business model works? Is there for example chart available?</i></p> <p><i>How is the business model involved in your work?</i></p> <p><i>When was the latest update or review done on the business model?</i></p> <p><i>In what data is the current model based on?</i></p> <p><i>Can you provide some additional internal data about the business model which could be useful?</i></p>	<p>Basically it forms from two things CV-business and projects. Current way of doing projects has been that we just started doing projects. We necessarily do not know what customers want.</p> <p>With CV-business we know how to do business but problem with projects is that we always do not know how to do the projects. This has led to significant losses. Also some customers do not know how to purchase projects.</p> <p>Also mapping the project, risk identification Currently time is also challenging in the business. "The competition in propositions can be compared to professional sport, it must be spot on"</p> <p>With projects scheduling is easier. And there are following benefits</p> <ol style="list-style-type: none"> 1. The job is in your own hands 2. Certain aspects can be copy/pasted for other customers 3. We can utilize the low-cost China department to be more competitive in pricing 4. It improves the visibility of order book 5. In reduces the amount of idling of employees. <p>This model is what we want to drive to the food industry market and also other markets.</p>
2	Identify strengths/problems	<i>Have you found the current business model successful?</i>	Lately we have been succesful by selling services instead of CV. This solution includes web based portal for quotations.

		<p><i>What are the strengths?</i></p> <p><i>What are the weaknesses?</i></p>	<p>In CV business +It is easy to both sides +Requires little managerial support +Less risks</p> <p>In CV business -The employees lacking job differentiation and developing opportunities. -Customer buys a person -This is only profitable with high invoice rate -No improvements to the ways of doing business. -There is much competition -All possible customers are not reached -If the person is sick, it immediately puts the service on hold For customer it is more about flexibility than efficiency "We are in more at the mercy of the customers"</p>
3	Key concerns	<p><i>What are your key concerns about the current business model?</i></p> <p><i>What customer data is lacking?</i></p>	<p>Generally Identifying the customer needs is a weakness. We miss information about the customers purchasing process.</p>
4	Analysis	<p><i>In which areas should the current model be improved?</i></p>	<p>It begins from identifying the customer need.</p> <p>One thing is that if you have something that the competitors don't provide, it may also be hard to sell it since customers don't really have anything to benchmark it.</p>
5	Best practice	<p><i>Do we have some guidelines of how should the business model be built?</i></p> <p><i>What are the key stakeholders that should be involved?</i></p>	<p>Informants 1-4 provide good and wide data sources.</p>
6	Development needs	<p><i>How could the company avoid the problems that the current business model has?</i></p>	

7	Customer Value Proposition of the current business models	<p><i>Which service attributes does the firm target for excellence?</i></p> <p><i>Which service attributes can be compromised in order to excel in others?</i></p> <p><i>How does the service attributes match with customer priorities?</i></p> <p><i>What value do we deliver to the customer?</i></p> <p><i>Which one of our customer's problems are we helping to solve?</i></p> <p><i>What bundles of products and services are we offering to this customer segment?</i></p> <p><i>How should the service be presented to the customer as a solution instead of novelty?</i></p>	<p>In some ways we can also compete with prices with the help of our low-cost china department. But as an established company, we need to compete with experience, quality, professionalism and customer centricity.</p> <p>Low price. For example promising to keep the lead-time in projects where it is essential. We can guarantee to the customer that the quality, schedule and technology solutions bring saves in longer compared to the higher engineering costs.</p> <p>Customers should be asked what is most important to them. Typically they will answer to it.</p> <p>When considering turnkey projects, it should be stated what turnkey project means. For some customers it means readymade documentation and planning for certain update, some customers want that also the equipment itself is included. Our management is very careful for agreeing to do equipment purchases because of the risks and contract penalties. However we can propose to the customers where to get the equipment and even do the deals for them but the cash flow in that has to go between the customer and the equipment provider. One way how we also encourage our customers to get the equipment themselves is that we say that we take our own margin if we provide the equipment and also that the customer may have better price rates for the equipment provider than the case company has.</p> <p>This is very important thing. If we are able to sell solutions we are at very strong position in pricing. Customers are willing to pay for solutions to their real problems. Let's take an example that a customer has problem with availability of certain component. With CV we can provide a person to figure out this problem, which is ok. However if we can sell an idea that they can switch the component to other component and we have proof that no other changes are required, it</p>
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		<p><i>How is the service used and how it solves customer's problem?</i></p> <p><i>Are there some barriers that can be turned to advantage?</i></p>	<p>solves the problem instantly. "In a way we should aim to surpass the customer expectations just a little."</p> <p>Everything starts with good communication which enables to identify the customers problem.</p> <p>Identifying barriers is challenging. Barrier might be related to for example customer's budgeting. Customer is not allowed to hire engineers (CV) but is allowed to purchase services (projects).</p> <p>Safety and automation analyses are also ways to make customer aware that they have barriers. It works like vehicle inspections and you have to sell them to the right persons. "Some people might call this as roll-in services"</p>
8	<p>Profit Formula of the current business model</p>	<p><i>Are customers paying in the best possible way?</i></p> <p><i>Can benefits be reaped from service features? (for example customer feedback)</i></p> <p><i>Are there longer-term benefits to current service features?</i></p> <p><i>How are the costs allocated in the services?</i></p> <p><i>How much does each revenue stream contribute to overall revenues?</i></p>	<p>Mostly no. For us the most profitable deals are ongoing maintenance service deals with high monthly fees.</p> <p>Typically customers want lower fees. We have also tried a helpdesk style approach where customer puts a certain priority on the task and those which are on higher priority are also more expensive if they are solved on the required timeframe.</p> <p>The monthly fees also work as a way to bind to customer to our services. This comes from</p> <ol style="list-style-type: none"> 1. Peoples natural way of being lazy (to look alternatives) 2. Since the monthly fee is already paid, customers want that the services are also used. 3. <p>There is not very many big deals but lots of small deals. We are trying to make our services to be like a network store.</p> <p>With KAM-customers we have common agreed KPI's and those are also followed monthly. They work ok. The project services also provide good references.</p> <p>References, customer loyalty and commitment. Also the long-term maintenance services can be considered to be these.</p> <p>Employee fees, IT-systems. It depends in what way the customer is paying for the services.</p> <p>In history it was CV based business but today the project business is about equal. The monthly service agreements are most lucrative however the hardest thing is to determine what services are included in the fee.</p>

		<p><i>What are the most important costs inherent in our business model?</i></p> <p><i>Are the costs volume sensitive?</i></p> <p><i>What will it cost to deliver value to the customer?</i></p>	<p>70% comes from employee fees, this is public information.</p> <p>The most significant costs are really not volume sensitive, however prices are.</p>
9	Key Processes of the current business model	<p><i>Which are our key processes, rules, metrics and norms?</i></p> <p><i>How should new customer information be handled?</i></p> <p><i>How can business processes be aligned to customer processes in efficient way?</i></p> <p><i>How do we reach our customers?</i></p>	<p>MSI = managed service index, which is around 50%. Cross sales, the utilization ratio of Chinese department.</p> <p>Basically these are divided to two parts</p> <ol style="list-style-type: none"> 1. The hard business values 2. Employee well-being related indicators <p>These are checked once a month. There is room for improving in the communicating these to the employees. However the problem is also on the receivers.</p> <p>There is new CRM process for this. It is so new that there is not really much experience about it yet.</p> <p>KAM customers have KAM plans which are made together with the customer. They are working ok. These form 70% of our turnover.</p> <p>Sometimes the customer reaches us. One of our problem is that we are waiting that certain customer has a problem and the customer informs us about it. These are especially true in the cases of old outsourcing deals. When creating the channels we have to be pro-active.</p> <p>We have developed our web pages and made cooperation with google to provide better search results. This works surprisingly well since most of the new customers when asked found us through web. Naturally a solid and active sales team is also</p>

		<p><i>Which channels have been proven to be most efficient?</i></p> <p><i>How are we integrating them with customer routines?</i></p> <p><i>How do we raise awareness about our company's products and services or brand?</i></p> <p><i>What key processes does the CVP require?</i></p> <p><i>What key processes are required to maintain our customer channels?</i></p>	<p>required.</p> <p>In B2B environment it is Face-to-face meetings.</p> <p>We have regular monthly meetings with the KAM customers. With smaller customers we cannot have meetings with all and we are considering what we should do. The focus however is the medium sized customers. "First it must be defined what is medium sized customer and then the question is that how could we turn it grow to a KAM customer. There needs to be process and responsible person for this."</p> <p>With references, cooperation with different instances such as educational establishments. Also participating to different fairs. This has to be on the agenda whole time and we have to be present. "There is also a big shortage on press releases"</p> <p>Sometimes references are made by accepting lower margins if we want to tap in to a large customer.</p>
10	Key resources of the current business model	<p><i>What makes employees reasonable able to produce excellence?</i></p> <p><i>What makes employees reasonable motivated?</i></p>	<p>The knowhow has to be sufficient, motivation and experience. When somebody moves to new task, there must be support available if needed.</p> <p>The job should feel meaningful and employee should feel that his work is respected. Naturally the wages should also be on the right level.</p> <p>We also have different ways to reward people for example providing info which leads to new sales and also some rewards related to handling critical projects.</p> <p>However we are not really too keen on informing employees too much about these rewards since it is impossible to give everyone equal chance to earn those.</p>

		<p><i>Have jobs been designed so that the employees can meet the challenges (selection, training motivation)? Is it even known?</i></p> <p><i>What are our key resources?</i></p> <p><i>How can we adapt to the changing customer requirements?</i></p> <p><i>Can we find new ways to deploy our key Resources?</i></p> <p><i>What key resources do our Value Propositions require?</i></p> <p><i>Do we have any key partners or suppliers?</i></p> <p><i>What key resources are required to run our key processes?</i></p>	<p>We try to design them so, it is uncertain how well we achieve this.</p> <p>Very wide question, employees, designers, sales. (More related to Data 2)</p> <p>We have to be close to the customer. Locally we need to have good decision makers. "We are surprisingly agile unit"</p> <p>(More related to Data 2)</p> <p>(More related to Data 2)</p> <p>We have key partner which helps us with product information, training and provides more visibility (publicity) for the case company.</p> <p>(More related to Data 2)</p>
11	Competitors and their business models	<p><i>Who are our competitors?</i></p> <p><i>What kind of competitive offers exists and how they can be blocked?</i></p> <p><i>Can we learn something from our competitors business model?</i></p> <p><i>Is there anything that prevents the competitors copying our advantage provided by the BM?</i></p>	<p>Engineering service providers, equipment manufacturers which have embedded design services with them. We are constantly losing projects to those who can deliver and entire assembly line.</p> <p>Professional service purchaser does not block competition away. We have lost cases even that our engineering service has been priced ok, but our material costs have been way too high.</p> <p>Yes we could learn a lot. We are also investigating our competitors.</p> <p>We can go to new markets where our competitors are not present.</p>

12	Current business model	<p><i>Are the decisions made in one dimension supported by those made in the others?</i></p> <p><i>Does the BM create long-term value for customers, employees and shareholders?</i></p> <p><i>How well do the extensions of core business fit to the existing BM?</i></p> <p><i>Is the case company trying to provide all the things to all the customers or specific things to specific customers?</i></p> <p><i>Is the focus of our current BM outside-in or inside-out?</i></p> <p><i>How can customer processes be identified?</i></p>	<p>Costs are taken in to an account however if we change our ways of doing certain things, it is a different thing, so yes and no.</p> <p>Yes, that is the goal. The value for shareholders is created through growth.</p> <p>We need to identify the needs and tailor our services accordingly. We simply cannot provide everything to everyone.</p> <p>It must absolutely be outside-in. The inside-out way of doing is past.</p> <p>By asking, with meetings and surveys etc.</p>
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