

The Internet of things

Technology is disrupting traditional business models — you'll need to adapt quickly

Increased business complexity, competitive pressure, increased commoditization and technology disruption have left organizations no choice but to reinvent themselves in order to better compete.

Business model innovation helps them redefine their core value proposition and redesign the building blocks of their business offerings. Companies like GE, Cisco, Union Pacific, ConocoPhillips, Apple and Hilti are in the process of transforming from a product-oriented model to a

holistic-solution model with service, software and hardware.

Companies call it the digital revolution, the Internet of things or the industrial Internet, as technology disrupts traditional legacy business models and forces organizations to adapt.

The implications are numerous. The value creation process is transformed from a traditional product or service model to holistic solutions aimed at managing more than customers' product needs.

It implies a transformation of the go-to-market approach including segmentation, commercial strategies and pricing models. Organizations have to focus on both the business model parts and the value of the connected parts.

Providing differentiated products with excellent services and supporting software/data platforms creates a new level of embedded-ness and personalization with customers. It transforms the discussion from product attributes and product pricing to solution-selling, overall customer value, value-based pricing and innovation.

When adapting to this new model, consider some key areas:

Value creation

The emergence of new services and technological offerings might require changes on how new and existing customers are managed. Marketers need to look at accounts more holistically and prepare more thorough stakeholder analysis, keeping services, data and software in mind.

Pockets of gains and pains might be

found across the customer organization. It's critical to uncover them and have a conversation with the right people.

Value quantification

Value quantification is a science that cannot be improvised. Multifunctional teams work together to quantify the value of products, services and new solutions. Since value modeling is dynamic, regular value modeling exercises need to be on the agenda.

Value quantification must become part of the critical skills of the sales force. Assessment and measurement become a discipline, as opposed to a nice-to-have.

The heart of this process is going from "we can increase your production efficiency by 15 percent on average" to "we can increase your production efficiency by 15 percent on average, representing a \$2 million cost saving per year."

Value capture

What gets measured can then be captured. Value realization includes quantified value messaging, value selling and negotiation for value.

When procurement specialists try to unbundle a solution to find discount opportunities, it's important to keep everything together, learning how to use customer value files and price menus to manage pricing objections.

The business world is changing. Some organizations have heard the wake-up call, while others are asleep at the wheel. This may work for now but the technological disruption is here to stay.

Traditional business models are being replaced by hybrid business models integrating services, software platforms and data analytics. It potentially touches every industry, every region and every company size. Are you ready? ●



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