

Business Model Digital Transformation: What Does It Mean for Go-to-Market Strategies?

In this article, the authors explore the need for and the methodology of business model innovation and examine how technology is disrupting traditional legacy business models and forcing organizations – and pricing teams – to adapt quickly to survive. Stephan Liozu (www.stephanliozu.com) is the Chief Value Officer at the Thales Group (www.thalesgroup.com/en). He is also an Adjunct Professor & Research Fellow at Weatherhead School of Management at Case Western Reserve University. He can be reached at sliozu@gmail.com. Katie Richardson is Director of Business Development at System Insights Inc. (www.systeminsights.com), an analytics company focusing on IIoT (the Industrial Internet of Things), Industry 4.0., and Manufacturing as a Service (MaaS). Katie focuses on business models, value propositions, and value-based pricing of technology solutions. She can be reached at katie@systeminsights.com.

Cisco, Union Pacific, Conoco Philips, Apple, Industrial Scientific, Hilti, and others are in the process of transforming their business model from a product-oriented model to a holistic solution model (service/software/hardware - see [Figure 1](#)). Some of these companies called it the digital revolution, the big data phenomenon, the Internet of Things, or the Industrial Internet of Things. The reality is that technology is disrupting traditional legacy business models and forcing organizations to adapt quickly to survive.

The implications for organizations are numerous. First, the value creation process is transformed from a traditional product or service model to the creation of holistic solutions aimed at managing much more than customers' product needs. Both the front-end and back-end of innovation need to focus on much more than new product development: they must also investigate the need for services around the products, the creation of new core services that might be adjacent to the product offerings, and the customer need for technological solutions to improve efficiency and productivity in the customer processes. Second, it implies a transformation of go-to-market approaches including segmentation, channel management, commercial strategies, and pricing models. Third, value realization approaches need to focus on the parts of the business models but also on the value of the connected parts.

That implies being able to monetize the new business model in terms of the overall delivered customer value. Although this is hard work, the benefits are real and tangible, and some companies are already reaping

the fruits of their investments (Google, IBM, GE, and Cisco for example).

The overall transformation towards what might be called an “internet of things” approach reinforces the level of business differentiation. Providing differentiated products combined with excellent services and supporting software/data platforms creates a new level of embeddedness 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.

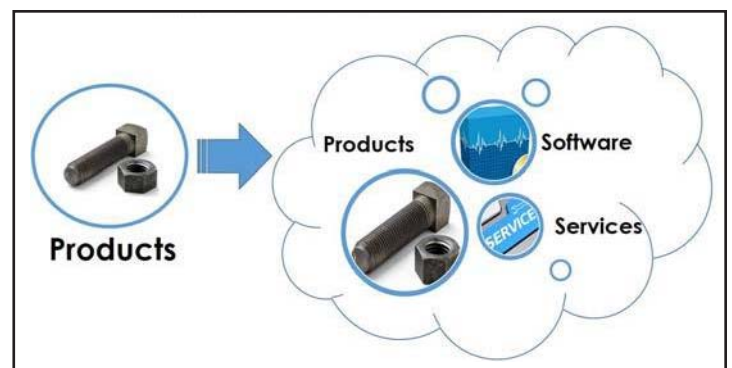
Anyone working in marketing, pricing and account management today should pay attention to business model transformations and anticipate how it might change the role of go-to-market professionals in the future. We can look at this through the lens of the value management process:

1. **Value Creation:** Go-to-market programs are traditionally well oriented towards value creation. The emergence of new services and technological offerings might require some changes on how they approach their accounts as well as whom they interact with at each account location. Account Managers might need to get to know their customer's IT

[CONTINUED ON NEXT PAGE →](#)

Faced with increased business complexity, competitive pressure, increased commoditization, and technology disruption, organizations have no choice but to reinvent themselves in order to better compete and sometimes survive. **Business model innovation is a methodology that helps them redefine their core value proposition and redesign the building blocks of their business offerings.** Companies like Google, Microsoft, GE,

Figure 1: A Shift in Business Model



department for example to identify what pains they might experience in the management of systems or the collection, cleaning and preparation of relevant data. Other departments might provide very useful information: maintenance, field support, finance, quality, process improvement, and engineering. They need to take a look at their accounts in a more holistic way and prepare more thorough stakeholder analysis keeping services, data, and software in mind. Pockets of gains and pains might be found across the entire customer organization. It is critical to uncover them and to have conversations with the right people.

Implications: conduct thorough stakeholder analysis; acquire basic understanding of non-traditional functions (IT, quality, process improvement, etc.); triangulate information gathered from various departments; develop a tool to collect and connect all relevant customer value information.

2. **Value Quantification:** Pricing programs are also traditionally less focused on the quantification dimension of the overall value management

Anyone working in marketing, pricing and account management today should pay attention to business model transformations and anticipate how it might change the role of go-to-market professionals in the future.

process. Value quantification is a science that cannot be improvised. Marketers will be working in multi-functional teams to quantify the value of their products, their services, and new solutions offerings in the innovation pipeline. Since value modeling is dynamic, regular value modeling exercises need to be included in the go-to-market agenda. Value quantification must become

Figure 2

Benefits of a New Mindset

- 1) Difficulty to be imitated by competitors
- 2) Higher cost for customers to switch (embeddedness)
- 3) Greater customer experience via personalization
- 4) Opportunity for recurring & predictable revenues
- 5) Intricate knowledge of customer business processes
- 6) Richer innovation pipeline (predictive analytics)

part of the critical skills of the sales force as well. Assessment and measurement must become a discipline as opposed to a nice-to-have. The heart of this process is to go from “we can increase your production efficiency by 15% on average” to “we can increase your production efficiency by 15% on average representing a \$2 million cost saving per year.” Value is a number.

Implications: learn the science of customer value quantification; learn how to build customer value models and customer value maps; create tools to document customer value benefits (value scorecards); adopt a mindset of quantifying everything and document customer benefits.

and to learn how to use customer value files and price menus to manage pricing objections. Fifty percent of price realization impact comes from pricing execution according to Deloitte Research. Yet, Professional Pricing Society reports that only 5% of Fortune 500 companies have a dedicated pricing function to support their commercial teams in realizing the created value.

Implications: create value stories about the full solutions; adapt value messages for every customer stakeholder; work closely with your internal pricing experts to discuss discounting guidelines; create customer value files; prepare pricing objections with relevant value messages.

The business world is changing. And the pace of change is accelerating. Some organizations have heard the wakeup call while others are asleep at the wheel and continue to do what they have done for years. It may work for now but the technological disruption is here to stay.

Who would have thought a few years ago that Apple e-commerce division might pass the \$5 billion in annual sales? Who predicted that GE Digital sales would pass \$8 billion in annual sales in 2016? Traditional business models are evolving and 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 getting your go-to-market professionals ready for this new reality?

3. **Value Capture:** What gets measured can then be captured. Value realization includes several activities for which sales, account managers, and business developers need be ready: quantified value messaging, value selling, and negotiation for value. When procurement specialists try to unbundle a solution to find discount opportunities, it is up to sales professionals to keep everything bundled