



**DIGITRANS** - Digital Transformation In The Danube Region

# Documented Business Model Cases

VERSION 1.1

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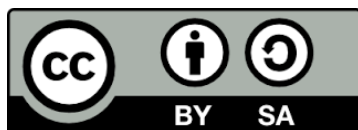
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## 1. Introduction

Driving innovation means fostering creativity within a given frame while not restricting space for ideas. With the validated DIGITRANS workshop concept it is ensured that SMEs are guided through an innovation process that takes them out of their everyday work environment and provides methods and tools to develop and discuss new innovative ideas and business models. The workshop heavily builds on heterogenous groups of people from diverse sectors with different levels of expertise and experience – all working towards achieving the same goal: Building a culture of innovation.

By taking different perspectives tackling a challenge, creativity and enthusiasm are fostered and the participants' minds are opened for the development of new digital business models. This is the value that the project consortium is attempting to create by providing DIGITRANS business model workshops in the Danube area. During November 2017 and May 2018, the project partners in all regions set up incubation spaces as the perfect environment in which the DIGITRANS method is taught and conducted pilot workshops with SME participants. Together with the e-learning platform, the DIGITRANS method and incubations spaces represent a successful symbiosis that will help small and medium sized enterprises to remain competitive instead of becoming the digital prey of the transformation.

The conducted workshops took place on real cases with SMEs with the aim to receive feedback and observe how SMEs are working with the DIGITRANS method and how the incubation spaces support teams in developing innovative digital business ideas. Based on these observations and feedback from the participating SMEs, the DIGITRANS incubation space as well as the method were further refined. The participants invited to the pilot workshops were selected by the partners considering interdisciplinary teams with SMEs from Creative Industries, Advanced Manufacturing and Health Care with the aim to improve existing or create new innovative digital business models.

This document is to be regarded as collection of documentations of the digital business model ideas that have been developed in the regional workshops as the basis for the transformation within the company, authored by the responsible partners.

## 2. Documented Digital Business Model Cases

### Specification of a Business Model

A business model generally describes how organizations make profit (Alt and Zimmermann 2001; Hoffmann et al. 2015). Gassmann, Frankenberger, and Csik (2013) explain it by reduction to four dimensions as depicted in Fig. 1, putting the focus on the value proposition.

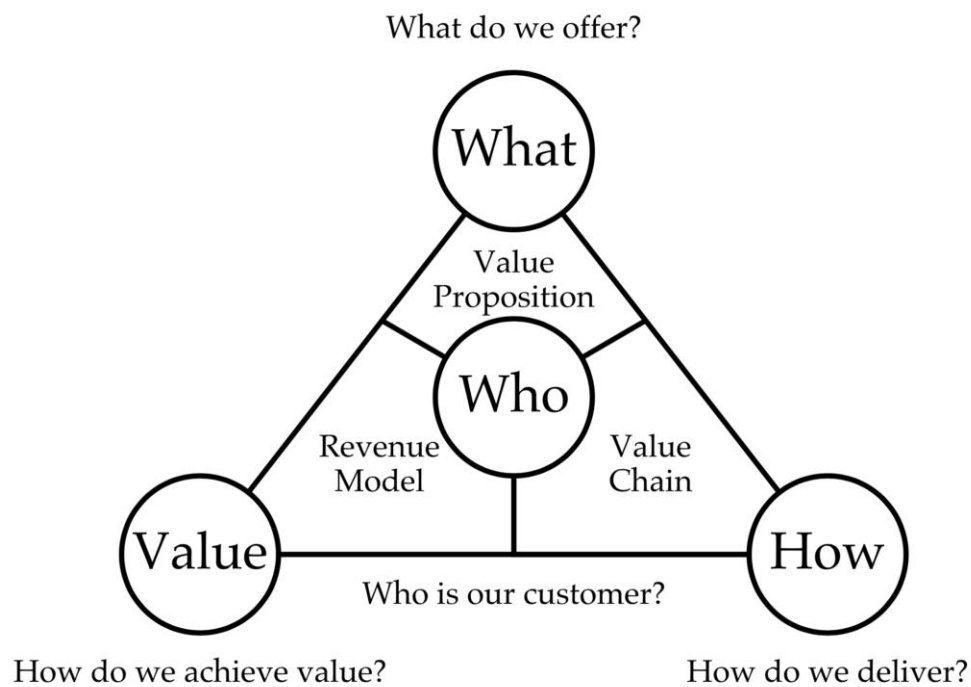


Fig. 1: Customer Value Proposition (Gassmann, Frankenberger, and Csik, 2013)

In short: *Who* is the customer, *What* is the offer, *How* is the value proposition distributed and *what* is the value for the business? The concept is clearly centered on the business model's customer value proposition (Johnson, Christensen, and Kagermann 2008; Alexander Osterwalder 2004; Teece 2010). The value proposition is utterly important when examining the suitability of a digital business model as it describes bundles of products and services that are valuable to the customer. Digital business models are based on digital aspects that can even be considered as the value proposition themselves (Alex Osterwalder et al. 2010).

For each participating SME, the business model is the main result for the DIGITRANS business model workshop and answering the aforementioned questions is the target for the workshop. In the following, the digital business model ideas that have been developed in the regional workshops are presented.

## Baden Württemberg, Germany

On the 7<sup>th</sup> of November 2017, the business model workshop that took place at the Herman Hollerith Centre in Böblingen (Germany, HSRT) was held with Verlag Herder GmbH, an SME from the creative sector. The workshop was organised in tight cooperation between MFG, the project lead, and HSRT, work package lead for method and incubation space development. Verlag Herder, a publishing house, entered the workshop with a rough idea of a digital product and wanted to further refine and challenge



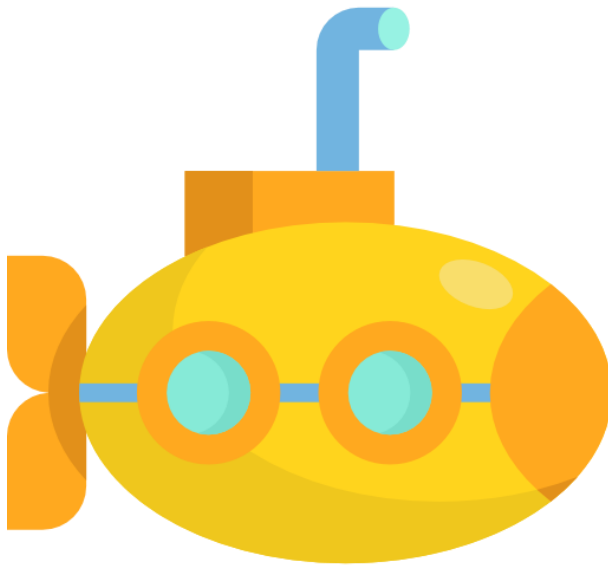
it within the DIGITRANS incubator. Herder is a creative SME that is mainly working on publishing books. One of its customer sectors is early childhood education where Herder also provides portfolio management tools that help educators assess children' development (e.g. in Kindergartens). One challenge Herder is facing is competition by digital content providers that offer portfolio services in a digital manner. The workshop was centred on the ideation and evaluation of digitalization approaches for their services in this sector. By involving employees from diverse departments as well as an external consultants, Herder benefitted from the various perspectives while analysing the current

situation, identifying customers as well as competitors and partners, creating and discussing several ideas and finally developing one concise business model. The business model was centred around app based services supposed to enhance the existing portfolio on services for the early childhood education sector.

## Romania

On the 12<sup>th</sup> of December 2017 the business model workshop that took place at the incubation space *Thinkubator* in Tirgu Mures (Romania, AUPM) was held with an SME from the creative sector offering training and consultancy services. The workshop was organised in cooperation between AUPM and RORCF, the second Romanian partner in the DIGITRANS project. Saral Consulting, a young micro company, is acting in the training and consultancy B2G industry. They are experiencing different challenges as they also deal with organizing the training workshops in various locations around the country. A full digital solution was proposed as a solution to address all services: communication, reservation, payments, library, community.





### Slovenia

On the 13<sup>th</sup> of March 2018, the pilot workshop was run with Juniba d.o.o., a SME working in nautics, offering traditional nautical solutions. The workshop was organized in IRP's DIGITRANS incubation space in Maribor (SI). The initial intent for participating was Juniba's need and wish to digitalize their business model, especially elements connected with customers. In the last year, a new innovative product for sailors, called Anchor Buddy, was developed within the existing company, enabling bigger security for anchored sailboats. With help of a digital business model, the company will be able to fully take advantage of the solution's business potential. The company has already developed the first prototype of Anchor Buddy. In the first stage, all the

components of the business model were defined with a special focus on defining the target customer as well as set up the method and processes for testing hypotheses about the typical customer.



## Bulgaria

On 14<sup>th</sup> of March 2018, the first pilot workshop was organized in the new ITD Incubation space in Sofia, Bulgaria. The company Sto Montaja works in the field of construction and manufacturing. More specifically, it develops integrated home repair services, including home repairs, home design and decoration, home systems repairs, restoration and others. The second line of activities is the design and manufacturing of bio-chimneys and decorative heating installations. The company is recently registered but its owners have considerable experience in home restoration activities and manufacturing and look to develop the further strategy.



During the workshop activities and the discussions held, some additional opportunities were identified. It was revealed that one of the company's owners has an educational background and specific interests in microelectronics. Thus, based on his professional experience and interests, some further directions were considered for company development in IoT services and smart home / smart building automation. Considering the potential market, the specific know-how and expertise of the owners and the lack of direct competitors, further possibilities were analysed for the company to develop new line of their business. However, this idea is still in its infancy. Further, some additional challenges were discussed such as expanding their staff and especially finding new employees with ICT expertise.

During the ideation phase different paths of development were considered. However, no mock-ups were designed as the company managers wanted to have some more time to reflect and consider the specific services and actions that they need to make. It was a challenging task to transform their mindset. They claim to be the best service-providers in their specific field. The challenging issue was to analyse why and how they should digitally transform their business model. They consider that they cannot become experts in digital field (neither in digital marketing, nor in IoT). Thus, some arguments and alternative approaches have to be discussed with the company in order to come to conclusion that they can digitally transform their business without being leading expert in ICT.



## Austria

On the 8<sup>th</sup> of May 2018 a business model workshop took place at ITG in Salzburg, Austria with UNTHA shredding technology GmbH, an SME from the industrial sector (mechanical engineering). The SME offers shredding solutions for different materials, saves valuable raw material resources, promotes material reuse and recycling, and facilitates profitable energy from waste recovery. UNTHA recognizes especially the mind-set of the employees, the customer relationship, the communication within the company and the current business model as working point. The management board entered the workshop with a rough idea for innovation and digitalization within their current business model.

For this, the company's expectation was, to get ideas

for improvement throughout the DIGITRANS business model workshop. UNTHA is an SME from the industrial sector (mechanical engineering). The headquarters of UNTHA is located in Land Salzburg while further company sites are located in the US, UK, Germany and Poland. The company is specialized in shredding technologies, offers shredding solutions for different materials, saves valuable raw material resources, promotes material reuse and recycling, and facilitates profitable energy from waste recovery. With their shredding technology, which is customised for individual area of application, they cut down to size waste wood, files, data, plastics, waste or hazardous materials. In 2010 the UNTHA brand was repositioned and the new brand core value changed to: Reliability. UNTHA shredding technology won the Salzburg Economic Award for Best Innovation in 2010. Currently UNTHA is working on a project called "Smart shredding", to develop new possibilities of shredding technology and to keep pace with the competitors on the global market.

The participants evolved new ideas for the implementation of digitalization and new business models within the workshop. The aim was also to learn how to handle proven tools like the business model canvas, to make use of those in the company's further development process. UNTHA wants to specify the idea of "Smart shredding", especially in connection with condition monitoring. Furthermore, the company wants to improve the internal and external communication processes and participating in the DIGITRANS workshop and sharing opinions and perspectives was a good first step.

## Hungary

On 9<sup>th</sup> of April 2018, the pilot workshop was organized in the MAG Incubation space in Debrecen, Hungary. The invited SME was Nyomdaipari Szolgáltató Ltd. The SME has been working in the area of printing for more than 30 years. They manufacture publishing products, books, paper packaging tools. They are covering the complete printing services: "work from idea to using". They offer services from the pre-printing procedures over the creative design to the printed products. Nyomdaipari Szolgáltató Ltd. offers four printing technologies: digital printing, offset, flexo and serigraphy printing. Nowadays the company's mainstream services and product line is the packaging goods like boxes and labels.



They joined this workshop due to the introduction of the business models and the business planning methods. The goal was searching a way of introducing a new product line and introduce the possible digital ways like direct "web to print" and digital business and management supporting; data analysing, and data-based management methods - in which they have no knowledge.

They have not been aware of what a business model is and how to develop a digital business model. In this perspective, the company focused on the business management area, and just secondly, dealt with digital technologies and digital transformation. Considering the potential market, the specific expertise of the staff and owners, further possibilities were analysed for the company to develop a new line of their business.

The main challenge is the lack of expertise in the business processes, the implementation on data-analysis, and management methods that are based on data. It was a challenging task to transform their mindset, including the analysis, the thinking and designing with the whole picture and not on the little and segmented elements.



## Croatia

On the 14<sup>th</sup> of March, the pilot workshop was performed in the TICM incubation space in Čakovec. LM Communications Ltd. participated in the workshop, a micro SME from the creative sector, operating in the area of digital marketing and offering services of web and graphic design, photography, public relations and social networks. LM Communications wants to develop new services to keep the competitive advantage on the market.

Since the idea for the new product should come as a result of the different phases of the workshop it was challenging and different in this workshop that to the web developer from LM Communications it was almost clear from the beginning what product they

want to use. So we noted that it is a challenge we need to work on. Entrepreneurs who do business in the real world, are present on the market, have a stream of thoughts that is hard to control with the defined schedule of the workshop. This is connected with expectations from the entrepreneurs. The workshop was successful, and the final result was useful for the entrepreneur. The enterprise is now able to use the proper methods while making plans for digital innovation of their business model.

### 3. Lessons Learned and Best Practices

With the workshops conducted with SME participants as well as internal workshops with project partners, lessons learned as well as best practices regarding the development of digital business model ideas within the workshops were documented. This catalogue is based on the observations of the project partners as well as the participants' feedback and is meant to help with future workshops following the DIGITRANS method.

#### General

The workshop allows the participants to step out of their everyday work surrounding and to develop new ideas without being interrupted by phone, other requests or colleagues. To support this focussed working, the following general lessons learned and best practices were captured:

- Highlight the focus on the development of digital business models versus the traditional optimization of processes (as scope of the workshop)
- Emphasise the fact that the workshop is meant for training and is not a consultancy service
- Present success stories of “digital SMEs”
- Provide examples on how digital technologies work and what can be done with them
- Try to break hierarchical barriers (e.g. by using first names or with the help of ice breakers)
- Explain what will be achieved during the one-day workshop and what will happen next (online platform)
- Explain your guiding role as a moderator and decide whether you want to take part within a team
- Challenge the participants in every phase of the DIGITRANS workshop

#### Development of a digital business model

- If a company already has a rough idea on what kind of digital solution they want to tackle it is still necessary to first analyse their status quo in regard to where they stand in the overall ecosystem as well as their internal competences and potentials they can further work on. Furthermore, in most of the workshops it became evident that analysing the customers' needs is essential to develop an idea that is of added value to the customer. Often, based on this analysis other more concrete and realistic ideas were developed.
- For most companies it was an asset to prototype their first idea. Through this process they were able to a) get a clearer common understanding on what they are targeting at, b) further concretise their idea and c) to have a first mock-up/prototype which they can then discuss with their users to receive feedback on their idea as well as to better present it to their management board.

- The workshops outlined that the business model development concept set up by the DIGITRANS consortium can be used in different sectors and is easily adaptable to the different regional needs.

### Workshop structure

The workshop structure that was developed for the partners and trainers is to be regarded as a guideline to conduct workshops following the DIGITRANS method. The following lessons learned and best practices with respect to the structure were captured:

- Use a timer at any point to remain within the timeframes and give the participants an incentive of finishing “in time”
- Besides using a timer, try to also remain flexible with the time slots as every group/workshop is different
- Within the welcome phase participants should be asked for their touchpoints and experiences with digitalisation – keep their levels of knowledge in mind and create the teams accordingly (interdisciplinary and with “experts” allocated)

### Workshop content

The methods, tools and materials used within the DIGITRANS workshops represent the core of the conducted workshops and the following lessons learned and best practices have been derived from the workshops held:

- Give short introduction on the method but also on digital transformation and business models in general
- Highlight why SMEs should use the presented method – what are the benefits?
- Provide the aim and ideally an example for each step/method used
- Clarify why a challenge is needed in the design phase and why it should not be too narrow (as it limits the creative space)
- When prototyping, present examples using different materials
- Keep the knowledge retention in mind by writing protocols, notes and taking photos of the results (canvases, prototypes etc.)

## 4. Conclusion

The aim of conducting workshops on digital business model development in the context of the DIGITRANS project is to foster the knowledge about business models and innovation methods as well as breaking barriers in the participants' minds. Especially small and medium-sized enterprises find themselves struggling due to the lack of financial and human resources limiting the possibility of trial-and-error approaches on being innovative. The workshops are meant to tackle that condition by offering a way on making the digital transformation more comprehensive. It helps SMEs to discover innovations for their businesses by raising their technological awareness and allaying their fears of becoming the “digital prey” in this game of digitalization. Due to the conducted pilot workshops in all the partner regions with SMEs of different sectors valuable experience was gathered and the final and validated workshop structure incorporating the collected feedback was developed. Enriched with a catalogue of lessons learned and best practices, this document offers an overview of the conducted workshops and the developed business models in the partner regions.

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