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## **Innovation: A fad or a much-needed staple?**

**This is National Productivity Month, but flowers of innovation should bloom the whole year**

**BY**

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**Leveraging BMI:** The development of modern-day Singapore is a classic example of the successful use of Business Model Innovation (BMI). And as SMEs grapple with the challenges during this current phase of the country's restructuring, the importance of BMI is even greater. - FILE PHOTO

THE history of Singapore's economy can be traced to the middleman and trading business, such as distributors, agents and sub-manufacturers. But these days, the middleman's role is marginalised, as the consumer can easily source for sellers online. This, coupled with intense competition, has led many companies to relook fundamental issues, such as their business model, that can improve productivity. Companies seeking to revamp their business models need to be innovative to stand out from the competition.

### **Business model innovation**

Business Model Innovation (BMI) is coming up with new ways to capture, develop and deliver value by modifying or upgrading an existing business model in order to meet customer demands. BMI aims to increase business performance by widening its reach, establishing new relationships with potential business partners, introducing a new service, product or technology or opening up a totally new market.

Existing businesses need BMI to strategise on how to get ahead of competitors and ward off startups. For new businesses, BMI requires the organisation to strategise so as to capture their markets and mark their position in the business landscape.

Technological advancement is also linked closely to business model innovation. Today, most business models integrate technological innovations in their strategies. These strategies need to consider factors including rising costs and availability of factors of production, changing customer demographics, environmental issues and competition. Below are some examples of BMI that have worked for various businesses:

### **Razor and blades**

Also called the "freebie marketing" and "tied products" business model, this model works by offering a product at a low cost (or for free) and tying another product with a higher value. Gillette is known for offering the razor for free, but selling the replacement blade at a much higher value. Gillette was able to grow its revenue by leveraging the new market for replacement blades. Several companies that have followed this model successfully include Hewlett-Packard and Apple.

### **Bricks and clicks**

Combining both online and offline business aspects, this business model allows customers to order online and then personally go to the store to pick up the product or have the product delivered to his home.

Businesses can begin with a physical store then establish its online counterpart, or begin with an online store and then establish a brick and mortar store. Since the "bricks and clicks" business model allows the integration of the store's offline and online presence, business owners can reach out to a wider audience and increase their existing customer base.

### **Deal of the day**

Also called "One Day One Deal", this business model operates by providing customers with deals that they can avail of only for that given day. Retailers typically join a deal website, such as [www.woot.com](http://www.woot.com) and [www.groupon.com](http://www.groupon.com) and list their products and services that will become available at a discounted price for 24 hours. When these deals are available, the website gets a cut from the retailers' sales.

Users will receive emails containing descriptions of the deals of the day. When the customer makes a minimum number of orders, the website then emails a redeemable voucher which the customer must use within a specified period of time, or else the product goes back to its original value.

### **Growth first, revenue later**

Capitalising on building the desired inventory first, the "growth first revenue later" business model is typified by the largest online retailer today, [www.amazon.com](http://www.amazon.com).

The secret to Amazon's success lies in its focus on its growth and core competencies first rather than its revenue. Amazon was aware of changing customer behaviour, especially during the dotcom age.

Its value proposition shifted from books to include more items that can easily be shipped. Then it opened its doors to a brokerage service for selling used books and third-party sellers. With an unstoppable focus on growth, and since time was its best investment, Amazon was able to grow to an amazing scale.

### **Crowdsourcing**

Crowdsourcing, a new business model that is widely used in the current digital age, refers to the process of putting together content, ideas and solutions outsourced from digital users. A company adapting this model will disclose a problem in public for an open call, and the community then responds with possible solutions. When a user's solution is chosen as the best one, he is then given certain rewards.

Some examples of crowdsourcing sites are [www.kickstarter.com](http://www.kickstarter.com), online freelancing sites such as [www.odesk.com](http://www.odesk.com) and other user-generated content sites such as [www.youtube.com](http://www.youtube.com).

### **Multi-level marketing**

Multi-level marketing is also known as network or referral marketing. In this business model, a company's sales force not only sells products but also recruits people to help with selling. Although the "multi-level marketing" business model is often a subject of criticism, it has proved to be successful for some companies such as Avon, Amway and Mary Kay.

### **BMI & Singapore economy**

The development of modern-day Singapore is a classic example of the successful use of BMI - Jurong Island, Housing Development Board, Changi Airport, Singapore Airlines, etc, stand out as excellent examples of public-sector innovation.

And as small and medium enterprises (SMEs) grapple with the challenges during this current phase of Singapore's restructuring, the importance of BMI is even greater.

While October 2014 is designated as the National Productivity Month, it must be remembered that innovation is not a fad nor for just a season. The "flowers" of innovation should bloom throughout the year.

*The writer is assistant secretary-general of the Singapore Manufacturing Federation (SMF) and author of several management books, including 'BMI: How the Small can Beat the Big'. He also heads the Singapore Innovation and Productivity Institute, an SMF agency that is driving innovation-led productivity in the manufacturing sector*