

# LEARNING FROM NEW BUSINESS MODELS

## TRENDS IN COMPANIES AND MARKETS



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There are numerous unknowns about how the new business models and new markets will look. B+I Strategy's Oscar Valdivielso highlights some noteworthy trends.

There is a plethora of opinions on what the business environment and competitive scene will look like on "the day after", once the present economic downturn has finally passed. Evidently all will not be new and the competitive environment in which our companies will find themselves in future will be structured fundamentally around a known set of playing rules. However, it behoves us to take a moment and contemplate the new business models which are beginning to emerge. Let's take the natural stone sector for instance.

### Mining

China is swiftly buying up the world's natural resources. The new global superpower is actively involved in exploring petroleum deposits in Central Asia and prospecting for minerals in Africa. Its voracious hunger for raw resources has pushed prices up in recent years and one of China's main suppliers, Australia, is the only developed country in the world to have not gone into recession.

One good example of a novel business model is to be found down under. The owners of one gold mine are committed to developing a New business model around the idea of adding value to the mineral, under the concept of "extended product". In an effort to reinvent the logic of creation and marketing of the value of a mine, new products and services added to the pure sale of the gold have been identified, that is, recovering unused parts of the mine or waste (e.g: extremely low value nuggets are sold as such).

Another, more well-known example is the South African Group, De Beers, the leading diamond mining, cutting, trading and retailing company, who for decades has been displaying a new concept of company from a viewpoint of commitment to society and the environment. This commitment can be clearly seen in a country like Botswana, one of the few examples economic and social progress on the African continent. The company has assumed the social needs of the country as an essential part of their strategy, all too often and unfortunately, left up to Governments to take care of. Enter the idea of creating public-private companies, like Debswana, the country's biggest employer. By supporting infrastructure development, pro-actively engaging in promoting certification systems and best practice principals in the sector, strengthening the economy of black people and running AIDS education and prevention programmes, De Beers thus fulfills its commitment.

### Transformation

There are today more researchers world-wide than the sum of all scientists throughout history prior to the 20th century. Indeed, this fact singularly reflects the magnitude of the potential for generating knowledge and developing new products. The field of building materials is certainly no exception.

A commitment to RD&i allows numerous companies in the sector discover and apply, very successfully in some cases, new materials with innovative proprieties, shapes and uses. In the area of insulation, for example, we find a range of gels used by NASA ("Aerogel"), organic materials made from fungi ("Ecovative") or flexible polymers which capture sunlight ("DayRay"). The immediate convergence of new areas such as biotechnology, nanotechnology and information technologies, will only serve to fuel this race for new materials.

### Distribution

The world's third largest cement manufacturer, CEMEX, has operations on all five continents. Although the company has taken a battering due to the recession, the distribution model in place in their home country of Mexico is noted for its perfect adaptation to the situation, particularly in consumer habits and the needs of the poorest segment of the population.

Consider another fact: 90% of Mexicans build their homes with their own hands. With a perennially unfinished look, homes grow in size as families grow in number and needs, as long as the required money and materials remain available. In response, Cemex installed GPS tracking devices and information terminals in their delivery trucks, which are loaded with pre-prepared cement mix. This allows delivery with the exact mix in exactly 20 minutes; "faster than Domino's Pizza" their publicity proudly informs us.

Furthermore, being sensitive to the financial habits of families moved Cemex to modify its payment model. A case in point: Mexican workers in the USA who customarily finance their families' home building and renovations in Mexico by wiring dollars home can now pay directly right in the USA. They can also access building advice and support of all types, called "construction solutions": formwork for quick building, necessary blueprints and materials for a specific project, complementary logistical services, etc. Cemex then forwards the order to the local distributor in Mexico who prepares and makes the onsite delivery to the family.

### Construction, architecture and design

Our use of language has been altered suddenly and without warning. Moderation, austerity, cutback, reduction, commitment to future generations... expressions which seem to have been dug out from some an old dictionary now constitute the basis of our new business philosophy currently coming forth for the post-crisis period. In this new world we are witnessing the evolution of urban planning and sustainable growth in cities and regions into the future, designed by and for people. In light of this new global setting, two concepts or trends particularly stand out.

First, the term "functional" as applied to simple products and services: easy to use, limited in its characteristics, efficient, well-designed and adapted to its environment and users. Secondly, the prefix "eco" as applied to products and processes which go from implementation of processes and technologies de eco-design in construction, to the integration of eco-efficient technologies of energy microgeneration, based on classic technologies, as in thermal solar, photovoltaic, etc., or more novel technologies such as lithium-vanadium batteries.

By combining both trends, the eco-trend and the functional-trend, we see the appearance of new products such as the "Solé Power Tile", or solar roof tile, designed in the United States of America by SRS Energy to meet the energy needs of self-sufficient, off-grid power production, while maintaining the home's aesthetics. Another example is the Austrian Passivhaus, which only uses body temperature to maintain a stable ambient temperature inside the home, thanks to super-insulation technology.

## Conclusions

This short outline of new products and business models presents an endless source of learning about how to understand the markets we operate in.

If we are all in agreement that we are at a critical juncture for the future competitiveness of our business network, especially for more traditional, mature organizations and sectors, then self-diagnosis and the search for new methods of future growth is a necessary exercise of business responsibility, which must then be backed up in specific processes, methods and tools.

All the foregoing, of course, comes from a place of a permanently dualistic perspective: the known versus the unknown; continuity and change; internal and external vision; short-term and long-term; endurance and reinvention; what's urgent and what's important.