

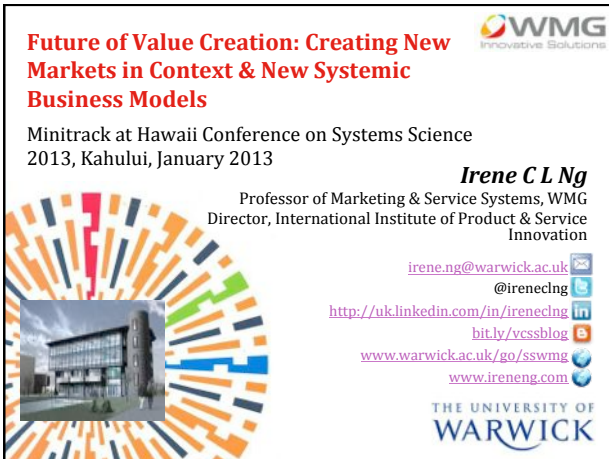
**Future of Value Creation: Creating New Markets in Context & New Systemic Business Models**

Minitrack at Hawaii Conference on Systems Science 2013, Kahului, January 2013

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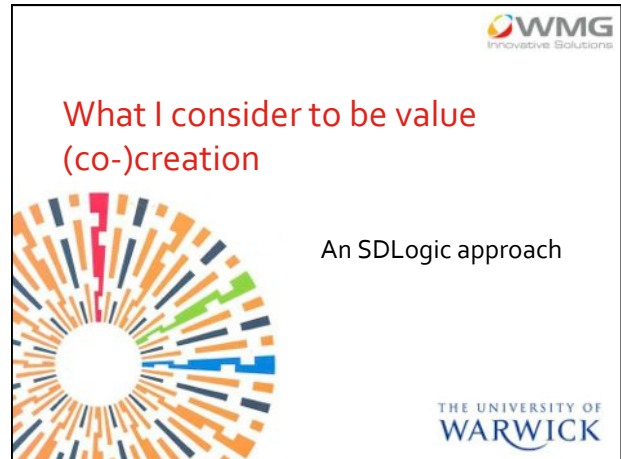
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**What I consider to be value (co-)creation**

An SDLogic approach

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**More than 200 years of Goods dominant logic: Value as WORTH**



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**But it wasn't exchange that made us happy. It was experiencing what we bought that gave us the outcomes we wanted**



We buy because of the service of the object, even if it was an emotional 'service' i.e. things are **service avatars**

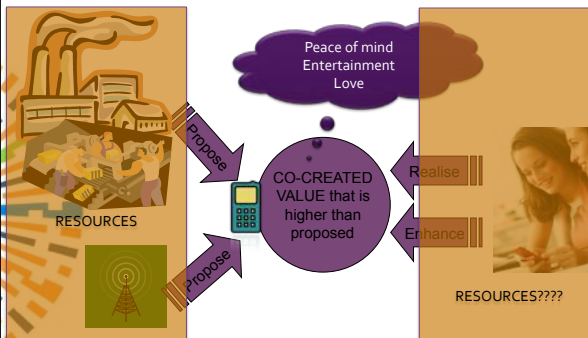
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**But it wasn't exchange that made us happy. It was experiencing what we bought that gave us the outcomes we wanted**



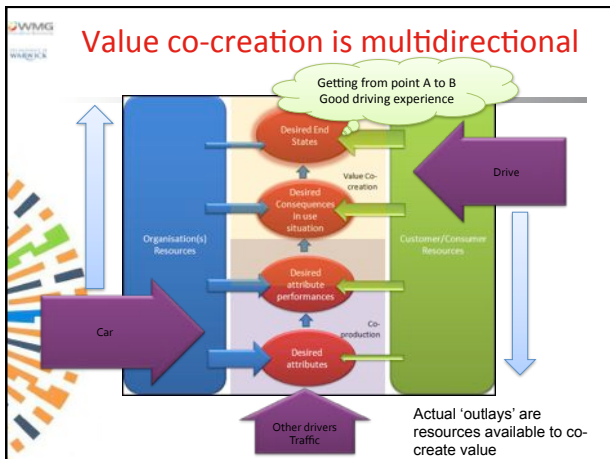
To find ways of innovating, we need to understand value-in-use

**SD Logic: The co-creation of value for outcomes/benefits/value-in-use**



RESOURCES → Propose → CO-CREATED VALUE that is higher than proposed → Realise → PEACE OF MIND, ENTERTAINMENT, LOVE

RESOURCES → Enhance → CO-CREATED VALUE that is higher than proposed → Enhance → RESOURCES????



**We (co) create value through 'use' in context\***

The object (firm) propose value, we create it through use/ experience

(Vargo & Lusch, 2004,2008; Ng & Smith, 2012)

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**Ownership was the only way to get the 'service' of an object**

- Previously, the only route to service/ outcomes was through ownership
- Marketing have *talked, promoted and sold on the basis of* benefit and use of things but benefit (outcomes) and use is not aligned to revenues – we still only buy ownership and not outcomes

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**Digitisation makes it possible to render a 'service' without ownership**

E.G. Music

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**Where we used to get our music**

But we needed to buy before use, we needed to acquire, to know that we MIGHT want it

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**Due to digitization, acquiring music (exchange) and use of music (creating value) has collapsed into the same time & context**

Collapse into context creates new markets, expanding existing ones

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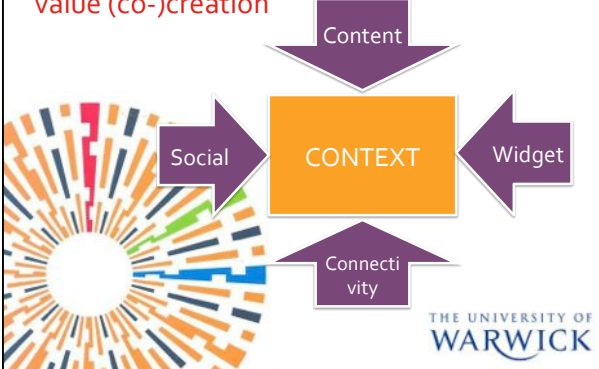
But to bring your digitised offering  
(content) into context, you need a  
medium (widget), connectivity, and a  
social space



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The New Battleground and the future of  
value (co-)creation




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VALUE IN  
CONTEXT

This camera is available so it is a resource in context



This camera is not



Value created is Contextual. Resources are therefore also Contextual.

Things become more valuable *in context* because they enable resources for value creation

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Two functionally the SAME cameras but not the same value for the user in context. Because one camera is less **competent** in context, one is a lesser service avatar (or is just simply not around!)

**COMPETENCY OF OFFERING IN CONTEXT IS KEY TO NEW MARKETS & FUTURE WEALTH**

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Mobile phone as the medium to propose digitised offerings in context

- Why is the mobile phone one of the most popular device for digitised offerings today?
- because it is often present in MANY lived experiences (contexts)
- It may not be the only widget in the future serving multiple contexts, but it is now

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Markets are forming at where service creates most wealth – in context

Digitisation allows new offerings to be resources available, accessible on demand, in context

The better you are able to serve context, the bigger your market



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## Who is digitising to serve use context next? Tea? ;)

- Digitisation enables traditional offerings to become a resource in context, reducing time between acquiring a resource and using a resource – expanding demand

Digitisation+Data is the new oil, Context is the new oil-field

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## Competitive Dynamics

- Serving Contexts changes the nature of competition
- Land grab creates disruption, enabled by new technologies. How?

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## Future of Value (co-)creation: New Systemic Business Models

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Context  
Enjoying music on spotify and seeing other friends choices of music while in a gym

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## BUSINESS MODEL VS ECONOMIC MODEL

**ECONOMIC MODEL**  
- Where exchanges come from, what exchanges are there, creating worth from value creation

**BUSINESS MODEL**

Money fr access e.g. spotify  
Money fr ownership (e.g. CD)  
Money fr eyeballs (eg. Google)

Value capture

Value prop MUSIC

Value Creation ENJOYING MUSIC

person

EMI, Sony BMG

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## E.G. MUSIC - CONTENT

Money fr access e.g. last.fm  
Money fr ownership e.g. iTunes  
Money fr medium (e.g. CD)

Value capture

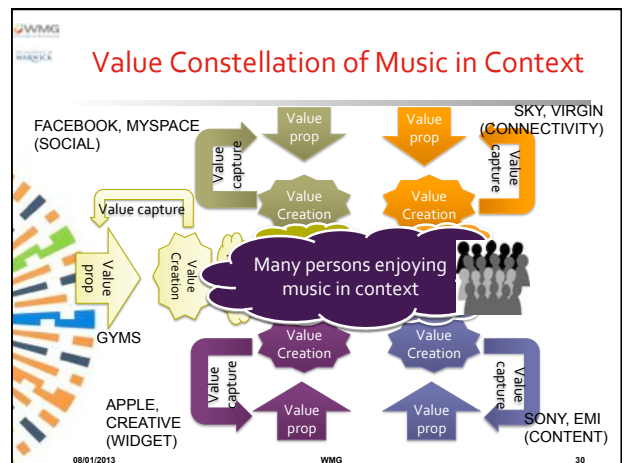
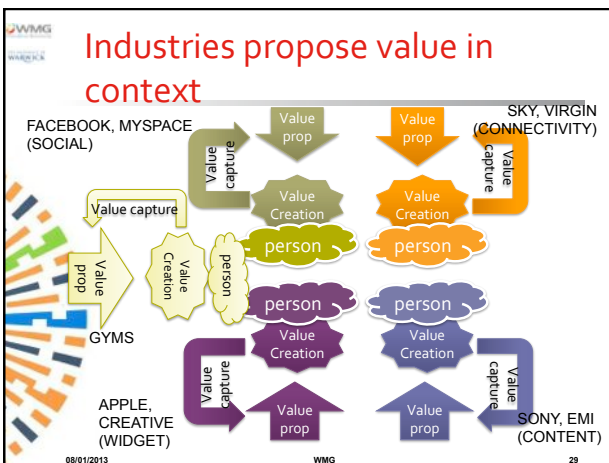
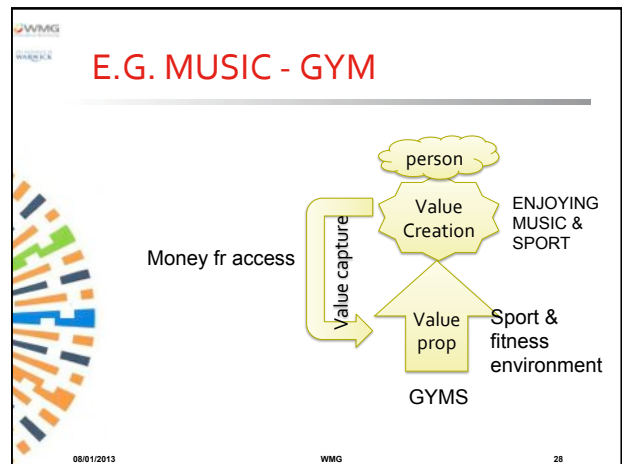
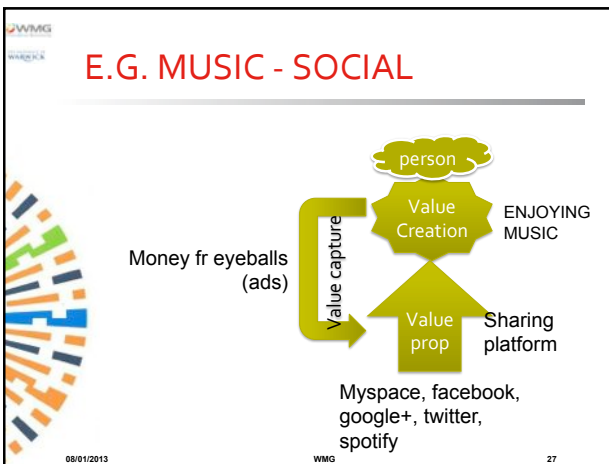
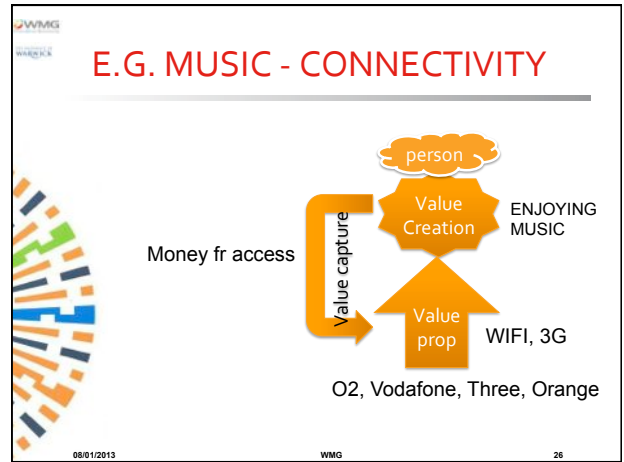
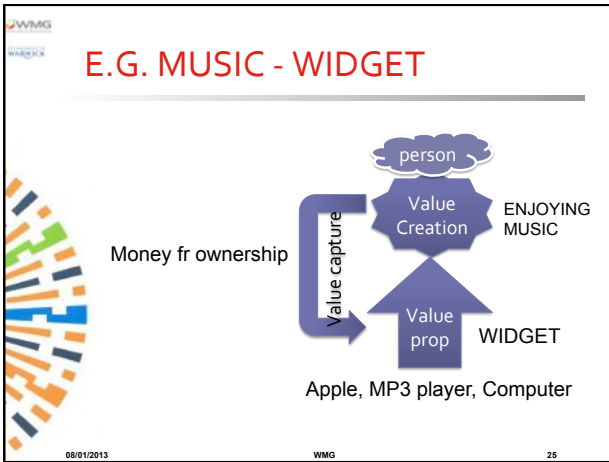
Value prop MUSIC

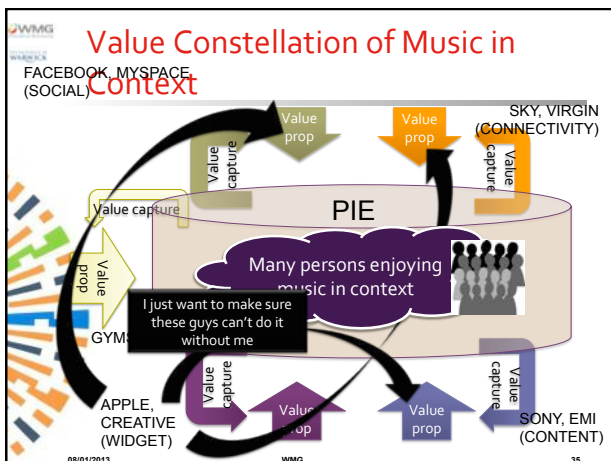
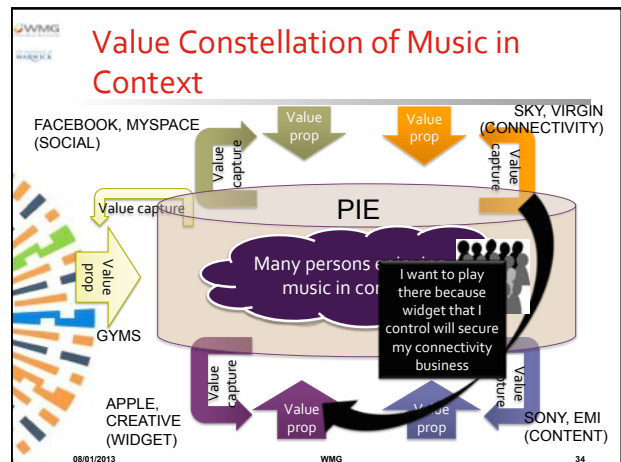
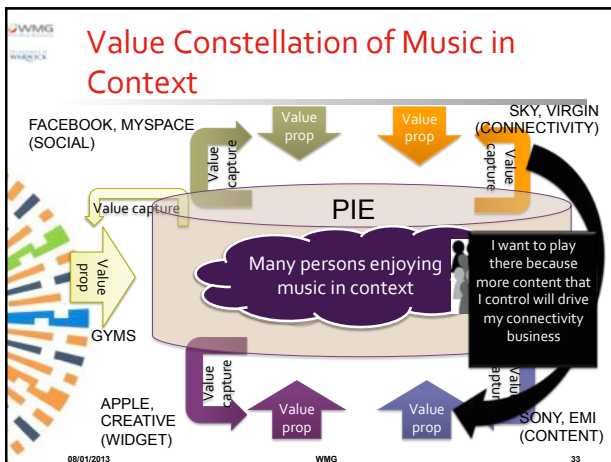
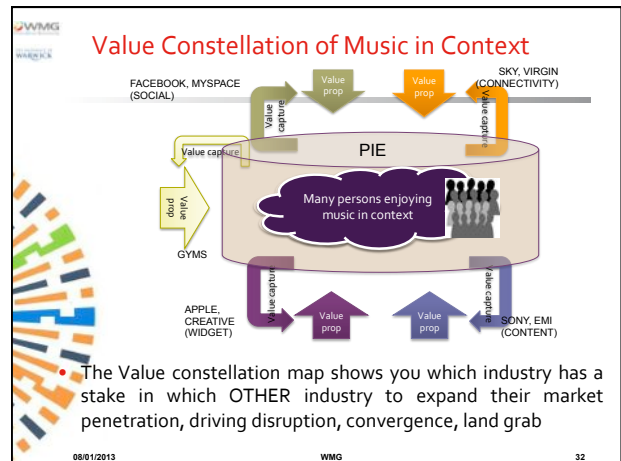
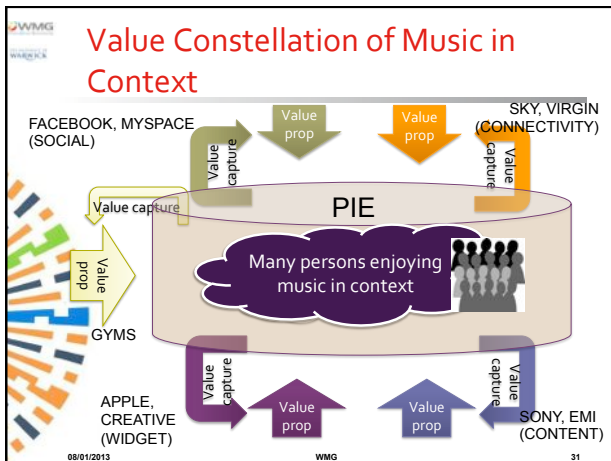
Value Creation ENJOYING MUSIC

person

EMI, Sony BMG

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### Connectivity & Digitisation


- TV was in a room
- Music was on speakers and stereo players
- Digitisation & Connectivity is changing contexts of use
- Changing contexts of use is bringing different industries into a context e.g. Tesco has a stake in your car – will they pay insurance?
- Disruption & Convergence comes from understanding value constellation of the context

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## Changing Value Constellations

- With more digital connectivity, there are more connected contexts
- more constellations with different players will emerge, converging stuff, creating **new** ways to capture value, generating **new** business models, creating disruptions
- Move from vertical business models & revenues to systemic business models & revenues




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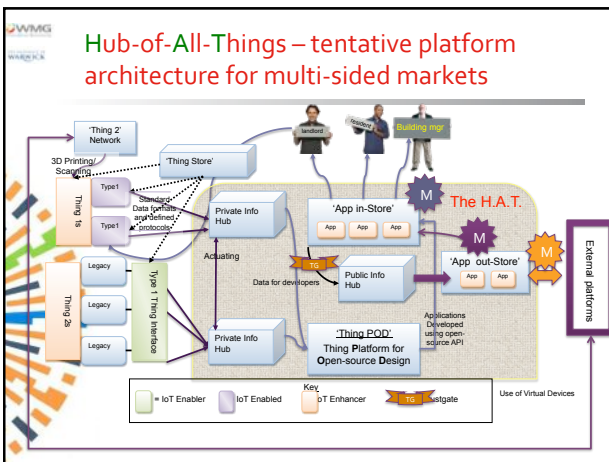
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## Designing a new platform to serve context

- The Internet of Things (IoT) refers to uniquely identifiable objects (things) and virtual addressability that would create an Internet-like structure for remote locating, sensing, operating and/or actuating of such 'things'. There is a sense that equipping all objects in the world with the ability to be animated and connected could transform lived lives.
- The home and the building as new platforms to serve contexts in the future



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## Want more?

Read the book!  
Value & Worth:  
Creating New Markets  
in the Digital Economy  
- out now on Amazon  
Kindle




[www.innovorsa.com](http://www.innovorsa.com)

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## Thank you



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