

EXTENDED ABSTRACT "
**'Developing a business model engineering &
experimentation tool – the quest for scalable ‘lollapalooza
confluence patterns’¹**

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1 The growing importance of business model innovation

In a globalizing world where consumer electronics (CE), information technology (IT), telecom, and media are converging, opportunities for new Internet services are emerging [1, 2]. With increasing marketplace dynamics, shorter time-to-market cycles and rapid technological developments, the ability to imagine and combine different, formerly separated, technological capabilities in order to facilitate new and useful value propositions for users and customers will be critical [3]. To be able to offer these value propositions with new Internet services in a sustainable manner, new viable business models need to be developed [4-6] – in the end, every service needs a viable business model.

2 Struggling with business models

Essentially, a business model can be seen as a definition of the way by which an organization or group of organizations delivers value to customers, entices them to

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pay for value and converts those payments to profit [6-8]. Business model research is a relatively new field of research – the concept of a business model has no established theoretical grounding yet in economics or business studies [7]. A business model supports simulating, analyzing and understanding current or new business concepts and exploiting these concepts [9, 10]. Business model design can be seen as a key decision for new firm entrepreneurs [11] and with increasing technological possibilities, more and more companies are struggling on the level of business model innovation instead of on the level of technological innovation [12].

A lot of high tech start-ups still fail by focusing too much on technology instead of on business model aspects like value network structures, revenue models and value propositions – they just ‘forget’ to consciously think about the quality and logic of their underlying business model and directly start writing a business plan [13]. Having a great technology is no guarantee for success; a viable business model may even be more critical [12-15]. About 90% of the start-ups have to change their business model before going to market – for them it is critical to know as early as possible whether a business model design is viable or not [3, 8, 16].

3 An action design study of business model experimentation

Currently, most business model research is focused on business model design, whereas there is almost no attention for validation and implementation of business models [6, 8]. The goal of the research as described in this paper is to test a business model engineering method supporting business model experimentation as a continuous design, validation and implementation cycle. The method is applied to an online investment research start-up in the form of an in depth action design study [17, 18] – the author of this abstract co-founded and also still manages the company and its business model – of the companies’ business model evolution as a continuous design, validation and implementation cycle as well as the related experimentation and effectuation processes [15, 19] – from the establishment of the company in 2007 till the beginning of 2010. The start-up started with an easily scalable freemium business model [10] by offering a free weekly investment column to a small mailing list of about 100 Dutch and Belgian investors and a related paid monthly stock analysis service based on value investing principles [20]. Directly from the beginning, as many processes as possible were automated by making use of e.g. online payment systems, mailing systems, content protection systems and membership management systems. In about two years, related business model experimentation and effectuation actions – focusing on creating nonlinear, so called ‘lollapalooza’ growth patterns [21] – led to a strong underlying growth: the list size multiplied more than 300-fold, it led to a Dutch best seller on investing principles as well as the introduction of a new premium subscription service.

Based on the results of the action design study as described above, the business model engineering method as developed and tested in earlier research [see e.g. (Haaker and Kijl 2008) and (Kijl et al. 2010)] will be further discussed, improved and extended in the paper.

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