



CITIES Forum 2017

Working Together for Better Cities

Rotterdam, 27-28 November 2017



#CitiesForum2017



City of Rotterdam

Regional and
Urban Policy



New business models in the data economy

Digital Transition Partnership meeting, Oulu, Finland, February 2017

→ Business models were highlighted as one important horizontal theme in digital transition

→ An umbrella?

Dr. Marika Iivari

FUTURALIS – Future Digital Business Research Group, Martti Ahtisaari Institute

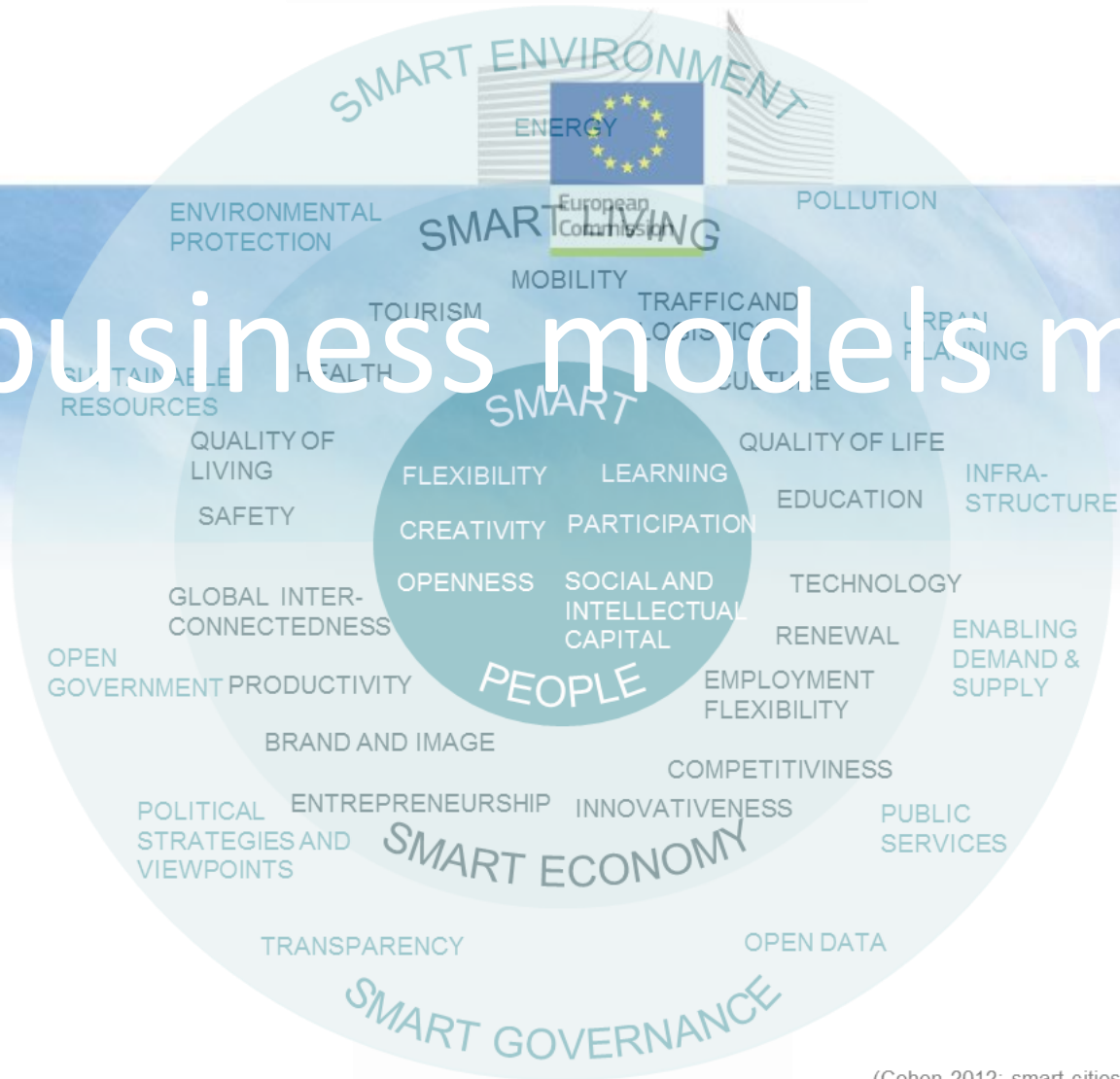
Business Models Working Group Co-chair in Digital Transition



Why business models matter?

Value co-creation

Value co-capture



Value co-evolution

(Cohen 2012; smart-cities.eu; modified by Ahokangas, Iivari, Heikkilä & Hirvonen-Kantola 2014)



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What is a business model?

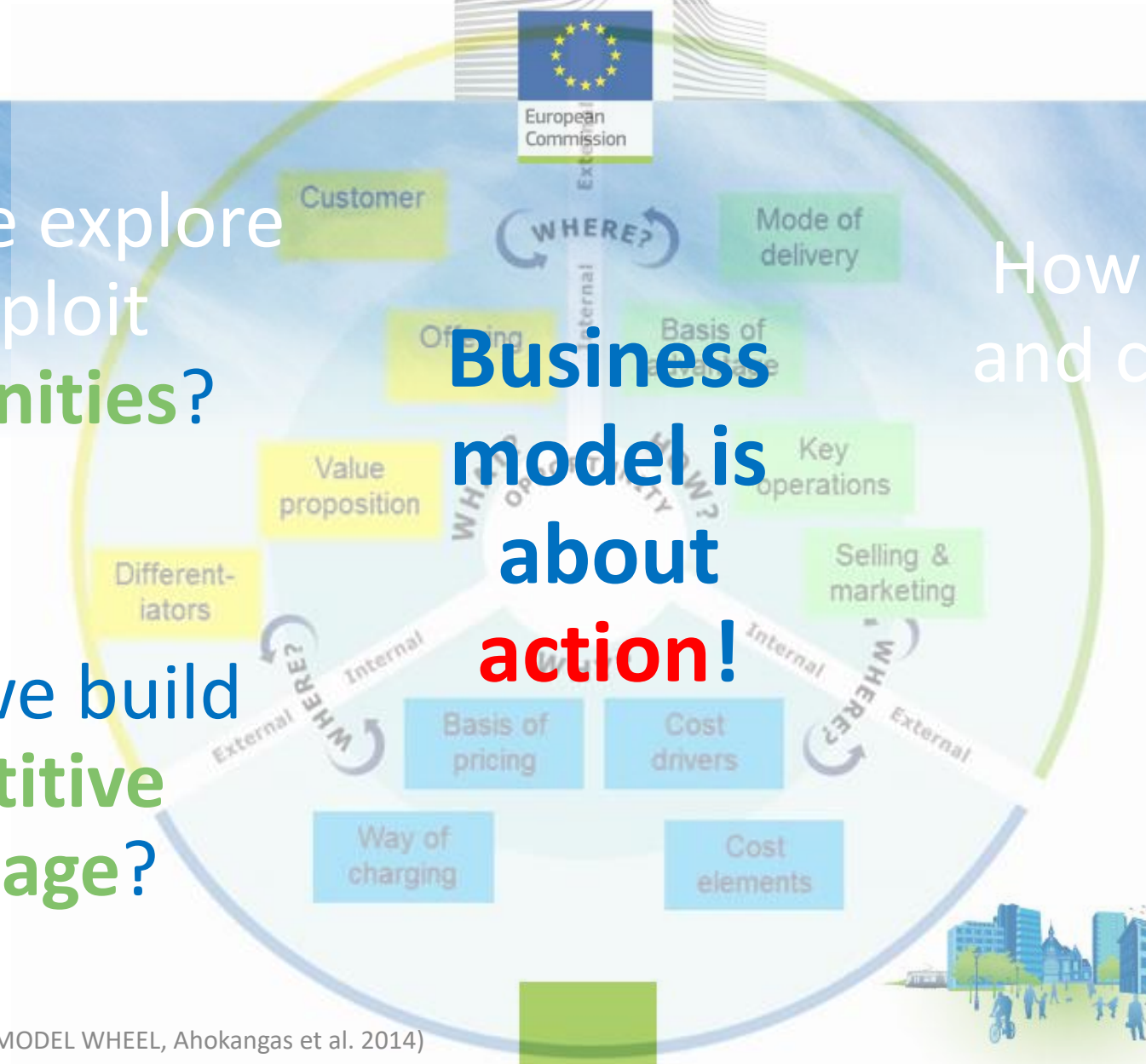
How do we explore and exploit **opportunities?**

How do we create and capture **value?**

How do we build **competitive advantage?**

Business model is about action!

Business model is a **tool!**



What applies to **cities** in digital transition?



Tensions elaborated, Sofia, Bulgaria, June 2017

City business models vs company business models

Commitment vs project culture?

Top-down or bottom-up?

Co-creation and user-generated content vs off-the-shelf?

Money, data or time as currency?

Agility and experimenting vs controlled planning?

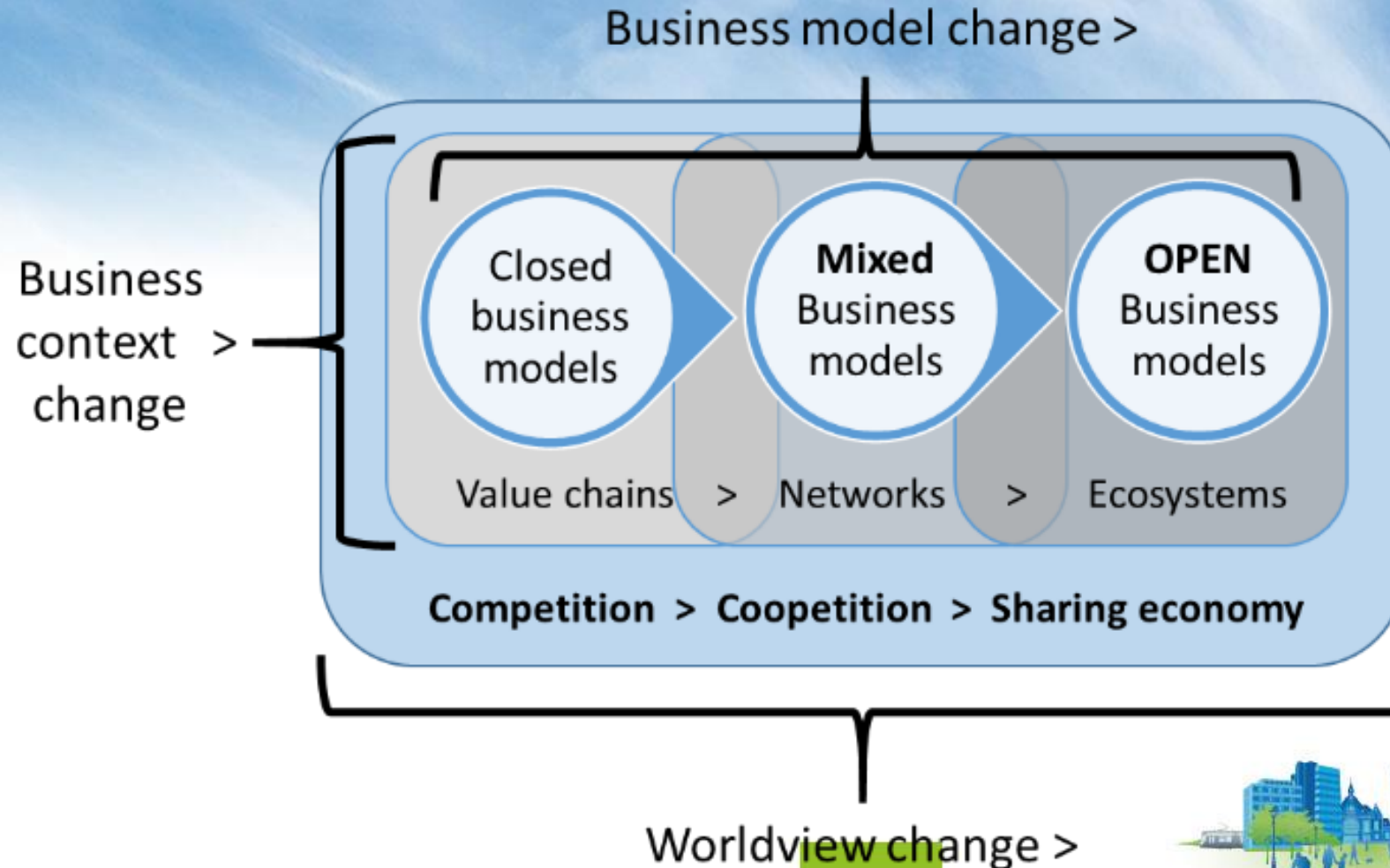
Innovative procurement or purchasing innovations?

Scalability or local only?



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Business models in disruption



(Ahokangas & Iivari 2017)



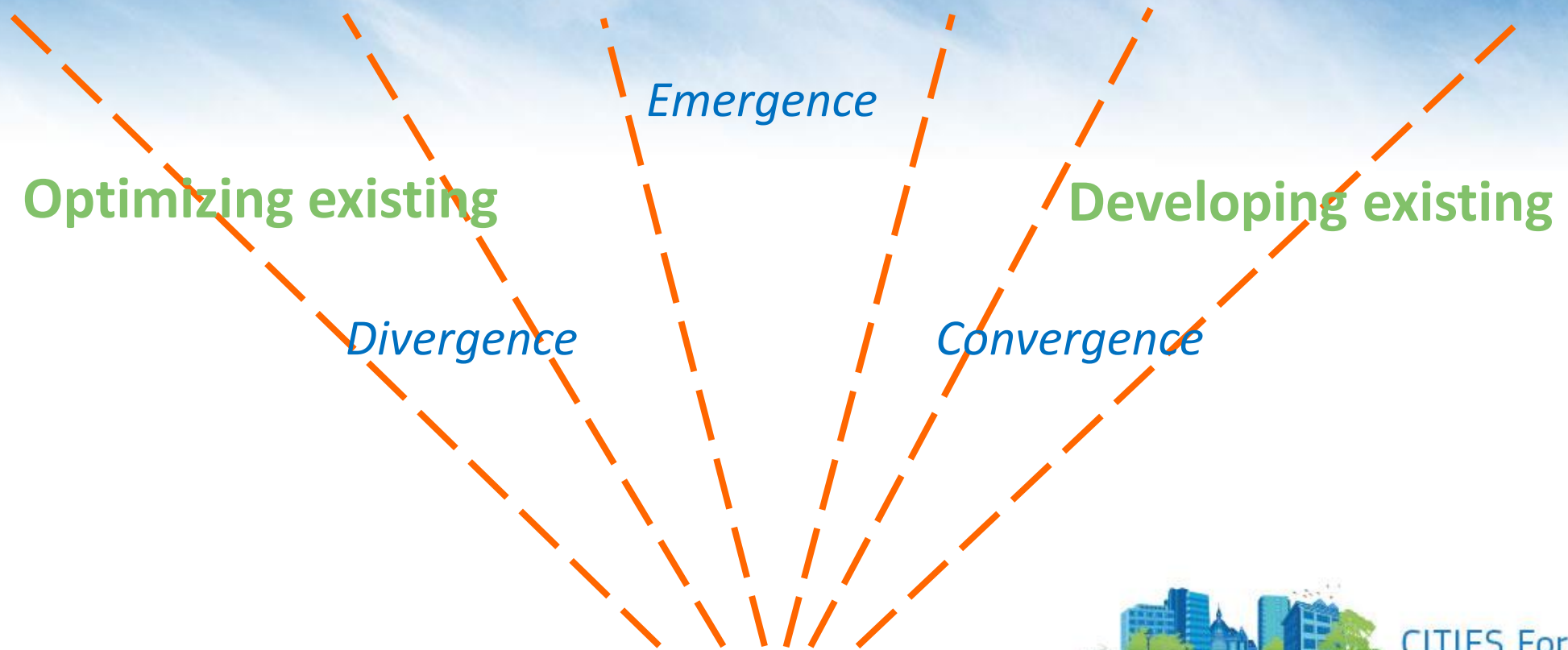
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How do we make sense of digital disruption in cities?



DIGITAL SINGLE MARKET

New market creation



Strategic drivers in digital transition



Strategic drivers in digital transition



CITIES NEED TO UNDERSTAND **DISRUPTION** THEY ARE FACING AND UTILIZE **DIGITAL PLATFORMS** THINKING WHEN BUILDING THEIR **ECOSYSTEMS**

CITIES NEED TO BE **SENSING** AND **SEIZING** DIGITALIZATION RELATED OPPORTUNITIES WHILE ENSURING CONTINUOUS **RENEWAL** IN THEIR ECOSYSTEM

IN THIS, CITIES NEED TO UNDERSTAND AND CO-CREATE **BUSINESS MODELS** AND ECOSYSTEMS SPECIFIC TO THEIR PURPOSES



Strategic drivers in digital transition



“

1. Enable **scalability** of digital solutions nationally and across member states
2. Enhance **sustainability** of digital solutions for both service providers and utilisers
3. Ensure **adaptability** of digital solutions across different regulatory domains exhibited by the member states



It's all about the opportunity: City Business Model Wheel

What?

- offering
- value proposition
- customers
- differentiators

How?

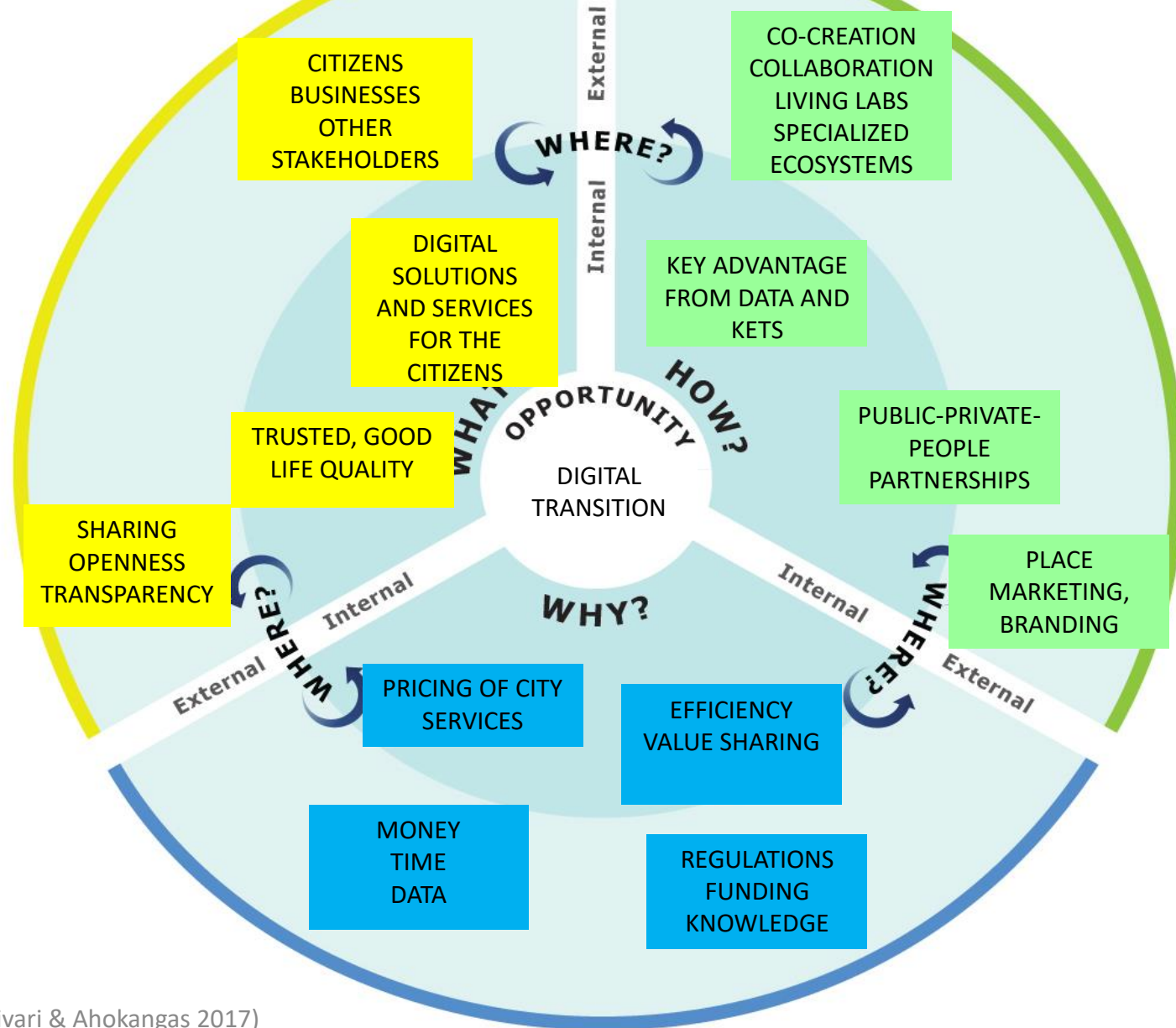
- basis of advantage
- key operations
- selling & marketing
- mode of delivery

Where?

- internally
- externally

Why?

- basis of pricing
- way of charging
- cost drivers
- cost elements



(Iivari & Ahokangas 2017)



Digital Transition Partnership

The systematic adoption of business models for digital transition

Helping cities to become digital and innovate!

ACTION: Business model **assessment frame** for navigating in digital transition

- Exploiting existing opportunities
- Exploring new opportunities

ACTION: Digital transition **accelerator**

- City business models for accelerating innovation in digital transition



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Thank you!



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