

A portrait of a middle-aged man with light brown hair, smiling slightly. He is wearing a dark blue suit jacket, a white dress shirt, and a blue patterned tie. The background is a solid dark red color. The image is framed by a white border with a red diagonal line pattern.

Signature Area
**From fear of rotten
tomatoes to the
instant success of
Airbnb and Uber**

Digitisation and the rapid development of online and mobile technologies are radically changing existing business models. While some companies struggle to implement disruptive innovations, others become new market leaders overnight. Thijs Broekhuizen talks about the art of digital transformation, which is key to FEB's Signature Area Digital Business Models. Thijs Broekhuizen is associate professor in Innovation Management and Strategy at FEB.

Online shopping at a supermarket? In 2001, this was still utterly unthinkable for many people, chuckles Thijs Broekhuizen. "They thought you'd be sent rotten tomatoes. And ordering clothes from web shops would only lead to hassles in returning trousers or dresses that do not fit. At the time I was doing my PhD in the early 2000s, people were still very wary of the risks of online shopping."

And look where we are now. Digitisation and new mobile technologies have led to a huge surge in new products, services and business models. Spotify and Netflix have changed the entertainment market for good, while Zalando and Bol.com have had an enormous impact on the retail sector, forcing V&D and regional retailers to go out of business. "The huge shift from the offline to the online world is fascinating. How companies respond to these fast-growing and unpredictable digital, disruptive innovations is interesting to investigate for academics and practitioners. Why did EMI not make it, while others like Universal Music are capable of transforming their business models to fit the new demands of the music industry? I am intrigued by the dynamic, exciting and rebellious nature of Airbnb and Uber. I feel privileged to be able to analyse and explain these trends in today's economies."

Digital transformation

That is what Broekhuizen does with his FEB colleagues from different disciplines within the Digital Business Models signature area. "The reasons for this interdisciplinary collaboration are obvious: the strong move to digitisation, the rapid development of new technologies, and the rise of the internet as a new communications and sales channel. Digitisation causes disruption: new value chains emerge, market players become superfluous, leading to friction and conflict, while at the same time these companies want to harness the new, disruptive technologies to develop sustainable business models. New players enter the market, and competition becomes international, more complex and dynamic. Digitisation offers opportunities to cut costs and to better meet the demands of customers, but it also introduces new issues. What are the privacy implications? How will the use of robots affect employment and how can we prevent home deliveries from causing traffic jams, neighbourhood congestion and an increase in CO₂ and fine particle emissions? Digital transformation is an art in itself: it is complex to realize but vitally important: how should you reorganize all your activities and implement digital innovations to create and

capture most value? It is a struggle to convince internal and external stakeholders. The huge uncertainty makes it hard to decide what you should invest in. Your digital investments could prove totally unnecessary in five years' time."

Marketing, operations, strategy and innovation

The Signature Area Digital Business Models is built on three pillars: the disciplines of marketing, operations, and strategy and innovation. "We started from the things we were already good at. Our marketing researchers know a lot about how to satisfy customers and how to support them on their 'digital journey'. Our researchers in logistics help to make this all possible: for instance, by setting up logistic systems that are resilient and allow for ultra-fast home deliveries. And in strategy and innovation we have expertise in developing business models that balance costs and revenues. How do you ensure a convincing value proposition?"

"Firms that excel as digital leaders realize a closely-knit cooperation between these three disciplines," says Broekhuizen. "Amazon is a good example. They have a patent on a technology that can predict whether or not a consumer will eventually buy a product based on their web browsing behaviour. This means that the product is already shipped before the customer has even paid. Zalando faces great challenges with customers who order an item in three sizes, just to be on the safe side, and then return two of them. This leads to unnecessarily high CO₂ emissions, plus it's expensive for the company. Marketing may help logistics to find ways to lower product returns by helping customers to find the right size, steer demand via pricing, or persuade customers to keep the product by extending the trial period."

Initial results

Creating a signature area from different disciplines doesn't happen overnight. "It takes time, effort and tenacity to learn one another's language and to get to know one another well. But the results and new developments ensure great dynamism and enthusiasm. For example, Kees Jan Roodbergen has been awarded a substantial grant from the Netherlands Organisation for Scientific Research (NWO) to find innovative solutions for web shop logistic challenges. Tammo Bijmolt, Peter Verhoef and Roodbergen are putting together a special issue on digital business models for the International Journal of Research in Marketing. And we are organizing a Thought Leaders Conference to be held in Groningen in April 2018. The papers presented will be published in a special issue of the Journal of Business Research. There is also a strong desire within the signature area to forge strong links with industry. Partnerships with big companies like IBM, Zalando or Wehkamp and with small, local partners such as Noordelijke Online Ondernemers are highly relevant for our signature area, while at the same time offering opportunities to demonstrate our research impact. It is vital that we increase our visibility and expand our business network to truly function as a knowledge platform, and to benefit from it in academic terms."

