

Observatoire des futurs
EM Strasbourg

Economic Models

EM Strasbourg BUSINESS SCHOOL
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Economic Models

1. Definition and Relationships with Other Factors

General Definition

- Business model = the way in which a company generates or will generate profitability. Three main components: value creation (a proposition that targets a specific customer segment, meeting their expectations and needs), value configuration (resources and activities that enable the production of the value proposition), and value capture (revenue and cost structure).
- Functional economy = the sale of a physical good is replaced by the sale of its use. It consists of selling a usage experience or a specific use.
- Collaborative/sharing economy = peer-to-peer human activity involving the sharing of goods, spaces, tools, and knowledge within communities and networks, often connected through a digital platform

Connection to Uberization and Industry 2030/Key Questions for the Future

- The concepts of the functional and collaborative economies represent emerging economic models based on new challenges related to value creation, work organization, and business and regional economic models. They are redefining the value created (the service and its use), how it is organized (new skills, new resources, sustainable development, etc.), and how it is captured (sustainable customer loyalty, etc.).

Relationship with Other Factors/Stakeholders:

- Digital technologies, production methods, manufacturers, digital transformation stakeholders, occupations and training, and work organization

2. Summary of the Retrospective Analysis

Retrospective

In General and for Uberization and Industry 2030

- **Since the industrial revolution, the production model has been based on an abundance of natural resources and a linear process:** resource extraction → production → consumption → waste. Example: the automotive industry. The economic models that have developed around this are based on the sale of a product or a service, or a product with associated services.
- **The functional economy:** a concept developed by Walter Stahel (1986) as the "service economy," which he later renamed "service functionality" (2006). It was taken up by Dominique Bourg and Suren Erkman in 2003 to promote it among French academics, industrialists, and policy makers. Examples: Xerox, Michelin
- **The sharing economy** was first theorized in the late 1970s but first emerged in the form of eBay in 1995. In 2010, Bortsman and Rogers gave it new momentum by presenting it as a system and a new approach to business models.

Retrospective

In General and for Uberization and Industry 2030

- Business Models

- 3 major trends:
  - o Razor and blade (example:Gillette): low cost for the product, expensive add-ons
  - o freemium (example:Spotify): free basic service, with additional paid features
  - o multi-sided platform (example: video game companies–developers, hardware/console manufacturers–and consumers brought together on a single platform)

- The functional economy and the sharing economy represent a path toward a fourth major economic model

Current Trends

In General and for Uberization and Industry 2030

- Functional economy and collaborative economy:
  - More than just an emerging trend: 90,000 companies worldwide in 2016; global revenue in 2016: $15 billion, including $3.5 billion in France; projected global revenue in 2025: $335 billion.
  - A refocus on customer value and customer use: a paradigm shift for companies whose definition of value centers on the product/service sold + after-sales service + options.
  - A very strong environmental and societal dimension: non-hazardous waste disposal down 21 percent between 2010 and 2014; material resource savings of 30–50 percent
  - A reevaluation of the company's skills: professionalization, but also skills related to the maintenance of assets that have become part of the company's capital.
  - Leasing and subscription models as an economic approach in several sectors: automotive, home appliances, photocopiers, and multimedia . . .
  - Toward a circular economy: an estimated increase of 500,000 jobs in France in 2015.
  - The challenge of customer loyalty is more pressing than ever.
  - Toward more responsible consumption: 9 out of 10 French people say they engaged in collaborative initiatives in 2016.

3. Summary of Prospective Exploration

Major Trends / Constants

- Awareness of natural resources and their optimal use, for more sustainable production
- Optimizing product maintenance and thus their lifespan while enabling management of their end-of-life disposal, thereby leading to real control over resource consumption
- Generally, there is standardization of a business model within an industry, with innovations that disrupt it

Uncertainties

- Individuals' relationship to consumption: Are we ready to move toward slower growth? To give up ownership?
- The ability of circular economy stakeholders to coordinate
- The end of planned obsolescence?

Seeds of Change

- The product becomes capital, just like means of production and labor . . .
- Contrast with the industrial logic of increasing productivity through technological progress and the intensification of labor
- A shift in the scale of thinking: from the company to the region

Controversies

- A challenge to the notion of expanded access to consumption: is this really the case? Toward the maintenance—or even an increase—in inequality?
- The functional economy aims to create jobs that cannot be offshored, thereby revitalizing regions. But, is this truly possible, especially given the global logic of the gig economy?

Disruptions

- With customers becoming increasingly self-sufficient, coupled with additive manufacturing in FabLabs, what does the future hold for industrial companies?
- The end of capitalism?



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Report written by **Amélie Boutinot**
Translated by **DeepL**

EM Strasbourg Business School
61, avenue de la Forêt-Noire
67000 Strasbourg

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