

***THE BEST
CONVERSATIONS
START HERE***

AGILE GROWTH STRATEGIES

**Business Model
Innovation in Practice**

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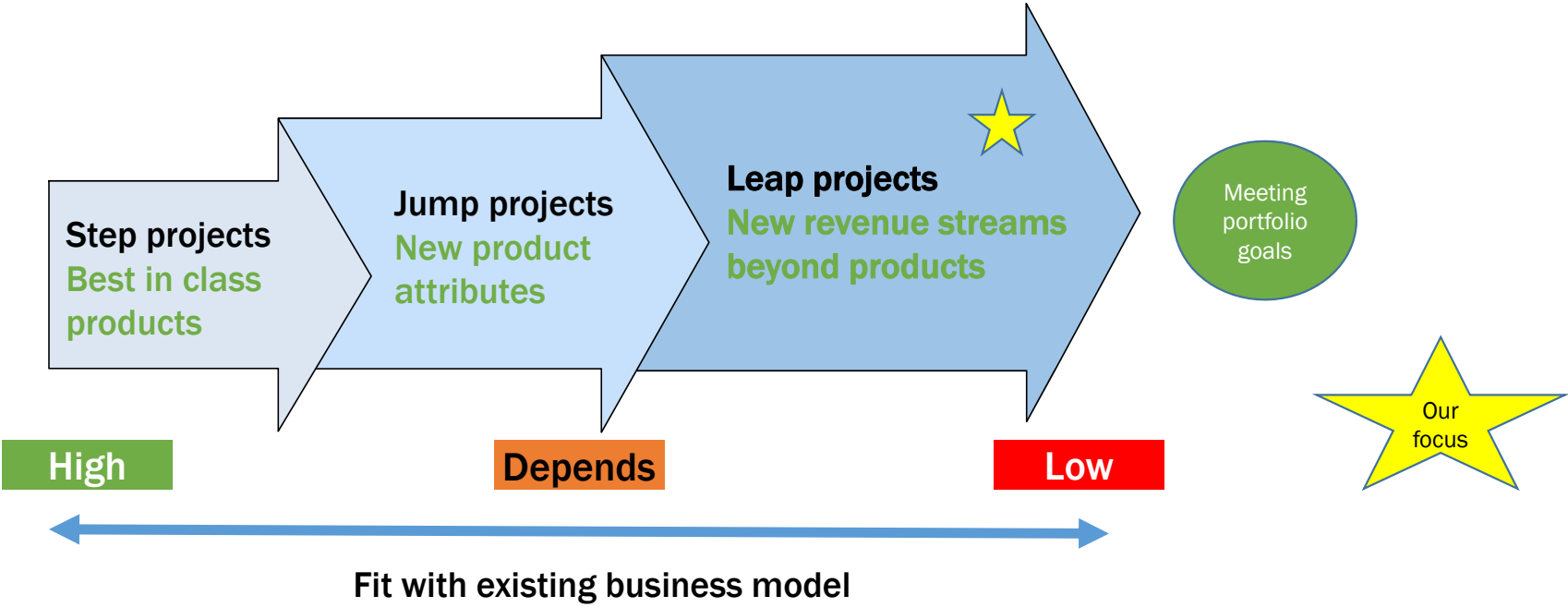


Creating Innovation
Leadership Solutions

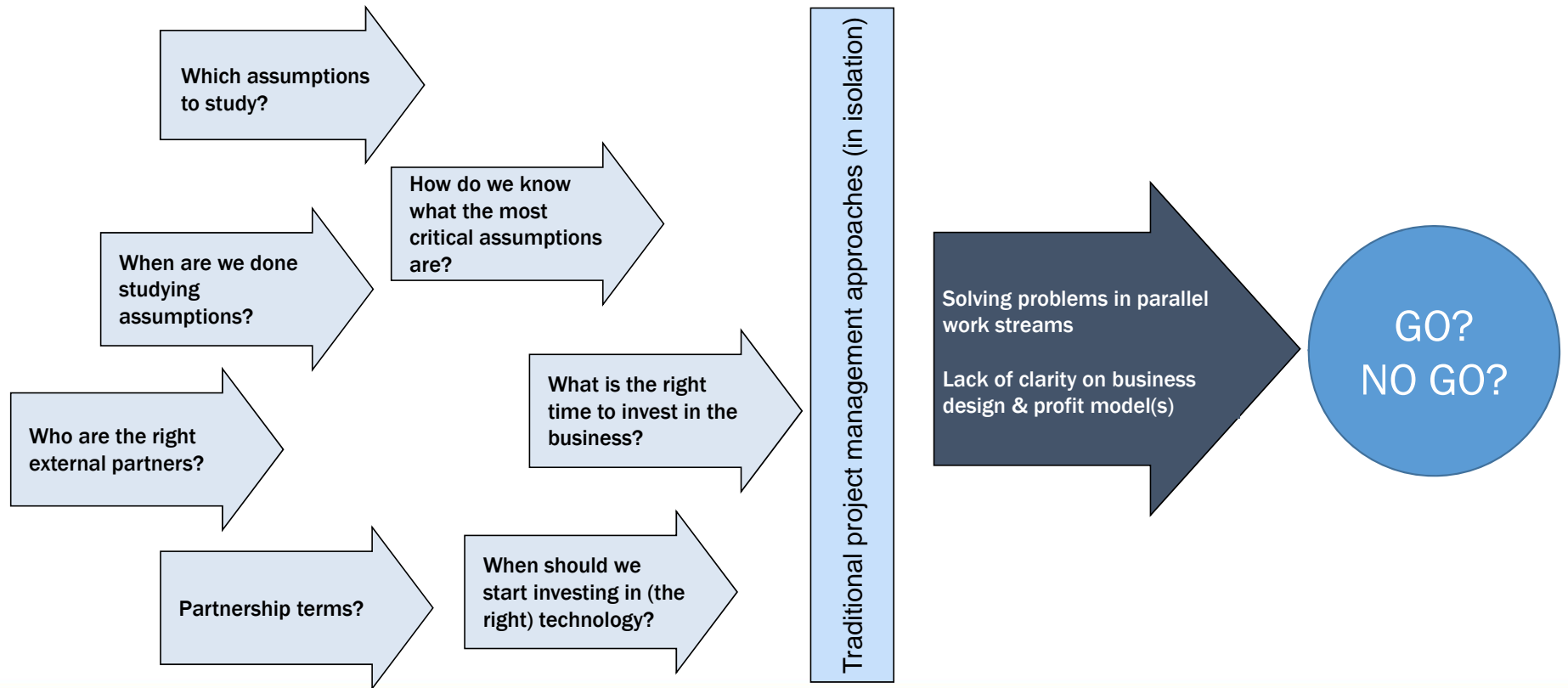
Agenda

- Managing Business Model Innovation projects – key takeaways from the Goodyear innovation team
- Goodyear’s innovation pyramid – our way to manage Business model Innovation
- A closer look at enhancing “odds” of success by focusing on key assumptions
- Q&A

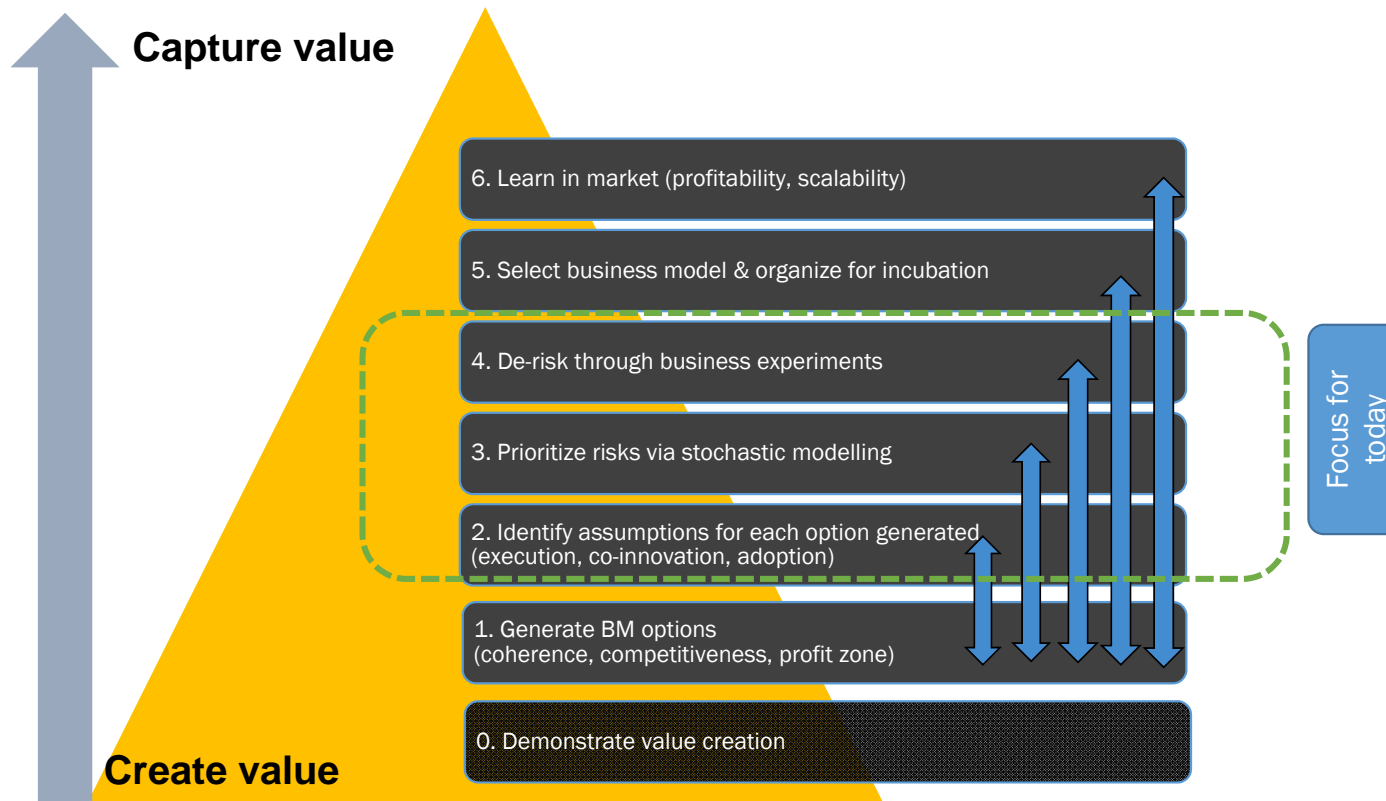
At GY, Business Model Innovation exists to drive new revenue growth through businesses that do not always fit the core business model...



...due to this lack of fit, Business Model Innovation projects need different management techniques



At Goodyear, we build on existing literature to create our own management control system for BMI* projects



Underpinnings:

1. The Art of Profitability by Adrian Slywotzky
2. The Wide Lens by Ron Adner
3. Simulation techniques
4. The lean startup by Eric Ries
5. The other side of innovation by VG & Chris Trimble

* Business Model Innovation

In the early stages of a project, we generate multiple business model options via archetypes & analogs

Opportunity: For commercial fleets, maintaining proper inflation pressure in tires can be a challenge & this results in roadside incidents, fuel economy penalties & tire life reductions

Option 1:

Technology: Built in pump in a tire

Value capture: Product sales



Option 2:

Technology: None (use GY service network to provide better routine maintenance)

Value capture: Managed Service contracts



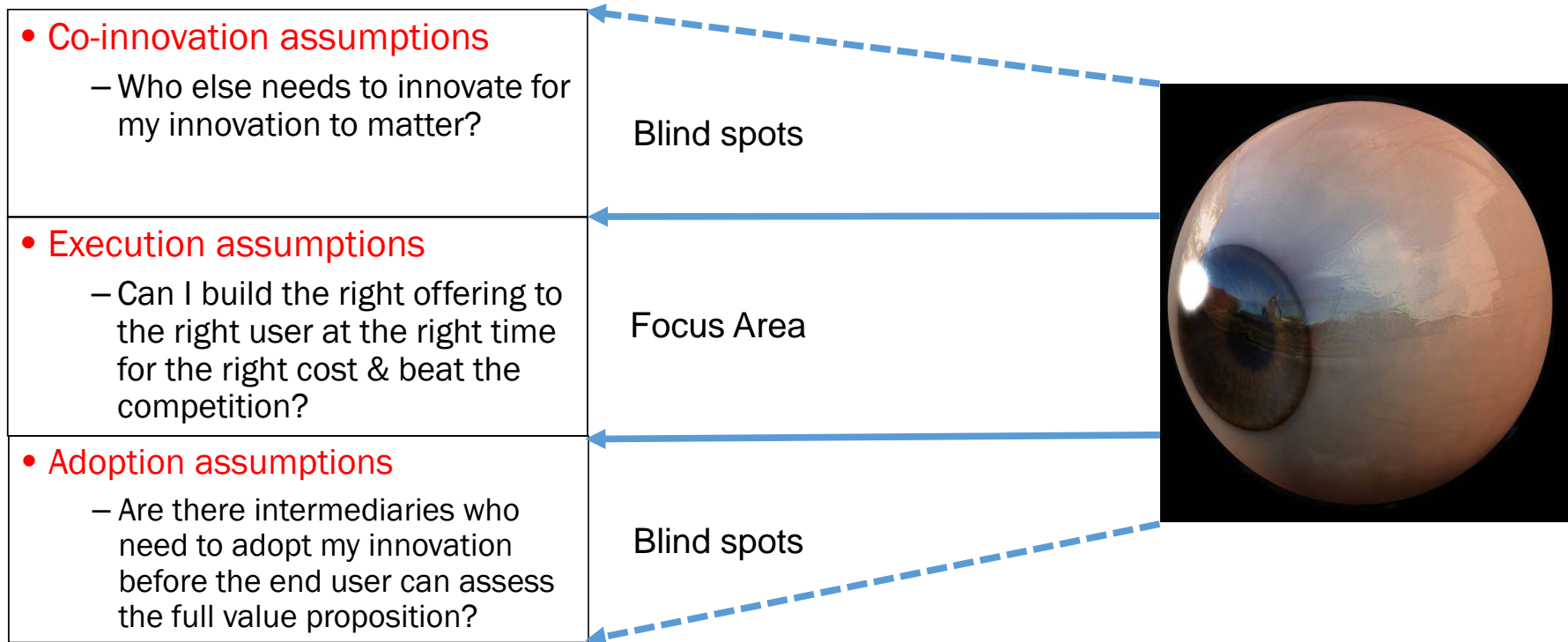
Option 3:

Technology: Sensor enabled monitoring of tire pressure & alerts

Value capture: Monthly service fee



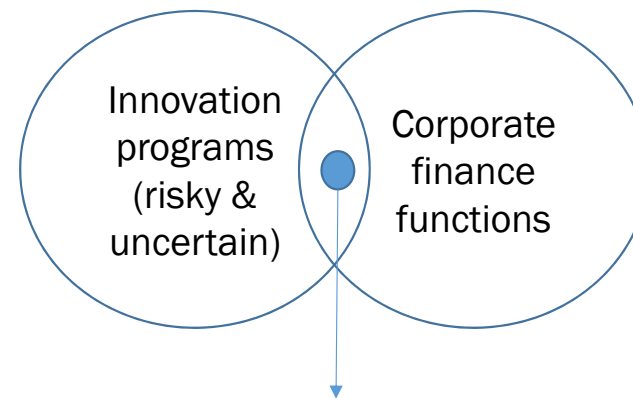
New business model options (away from the core) will involve assumptions – we adopt a “Wide Lens” approach



Very early in the process, we encourage teams to flow their assumptions through a P&L – initial projections are most often too optimistic

Key metrics tracked

1. Profitability
2. NPV
3. Internal rate of returns
4. Discounted payback periods

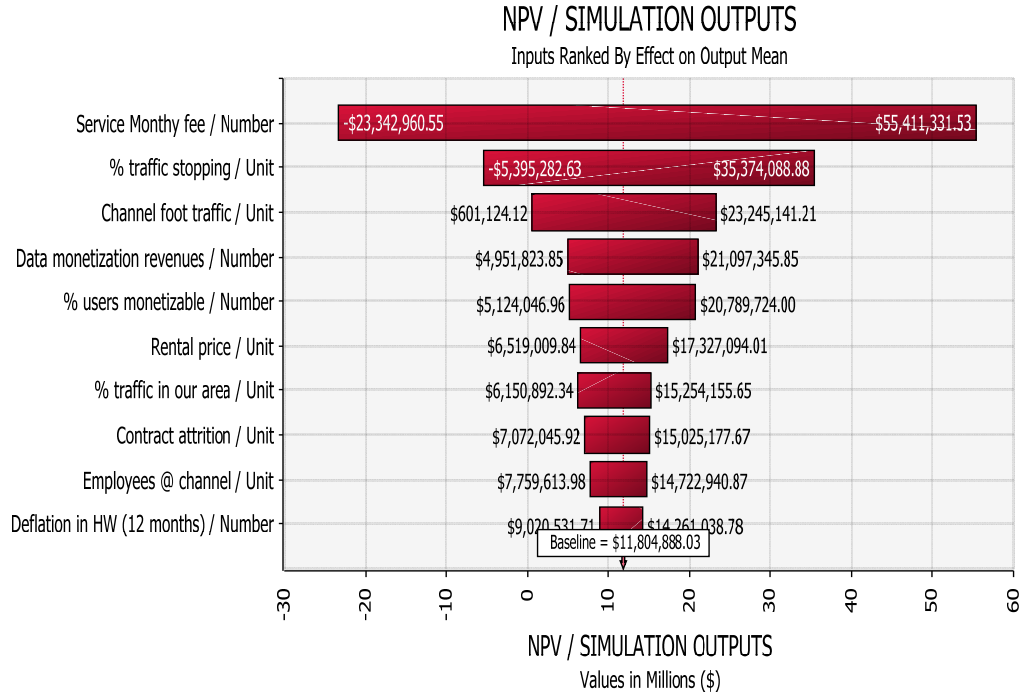
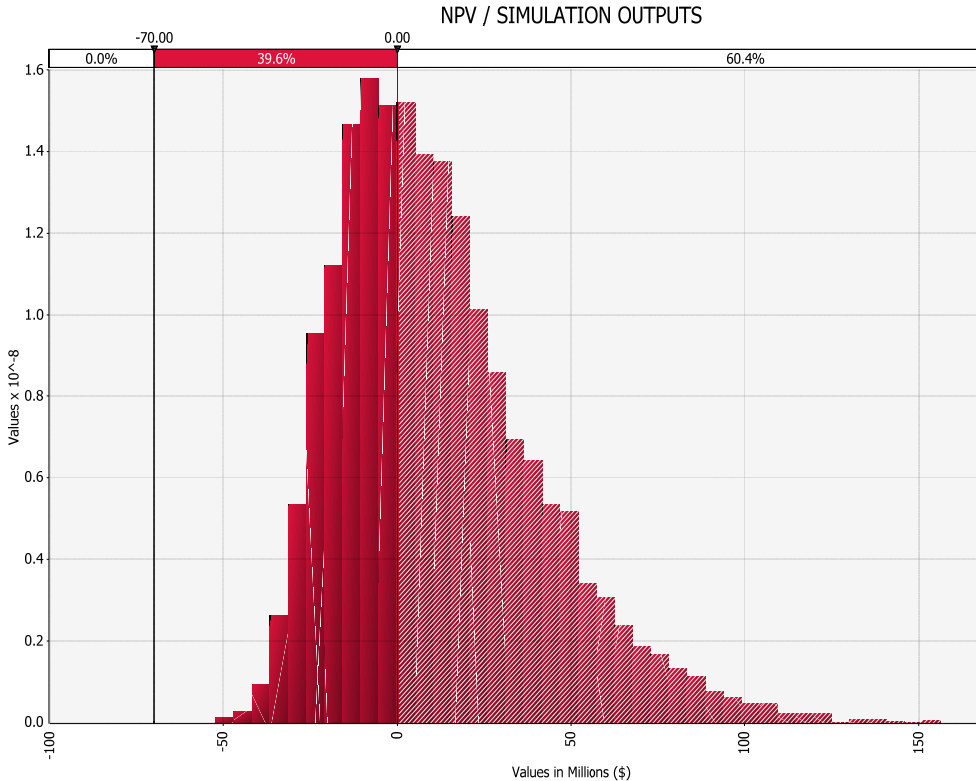


- Early conversations about investments expected for a growth opportunity
- Getting the project to be visible earlier on helps unearth stakeholder concerns

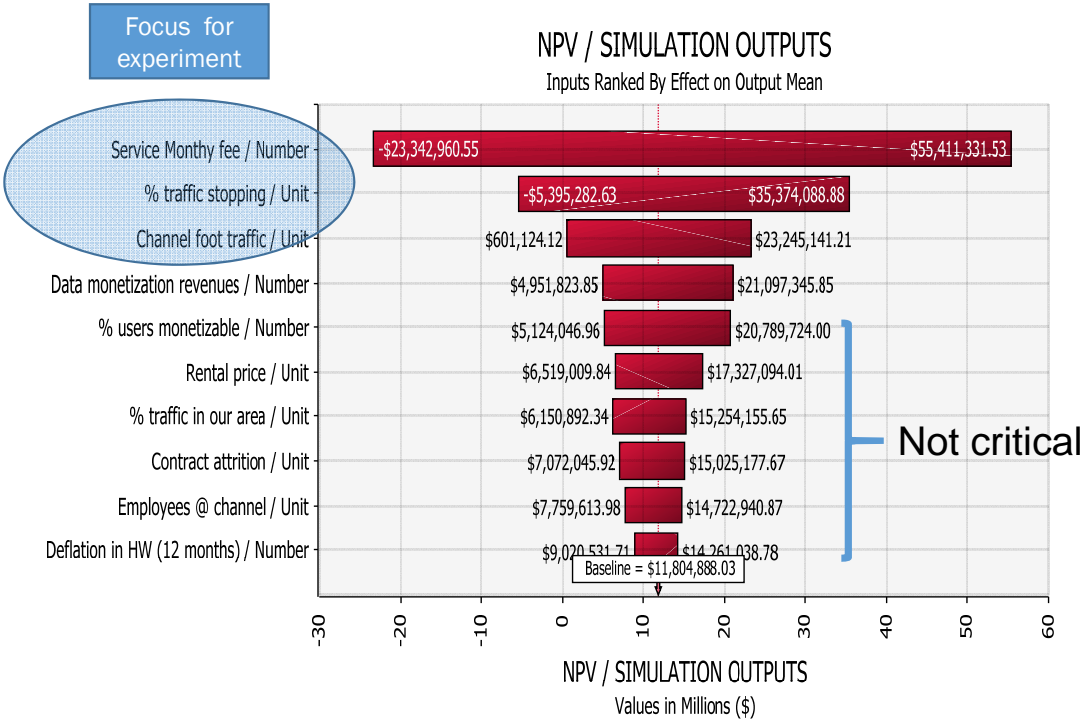
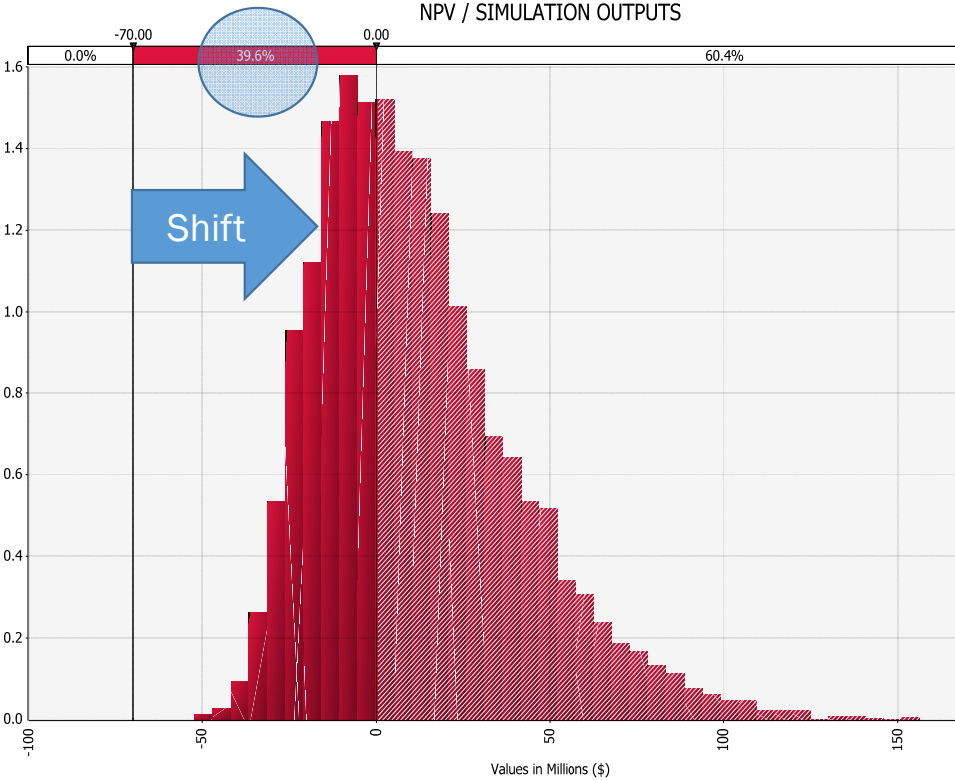
Simultaneously, the teams enter the estimates of the possible “upper, lower & the expected” values of each assumption (risks)

Assumption	Type of assumption	Expected value based on current knowledge	But the highest it could be (guess)	And the lowest it could be (guess)
Price per unit	Execution	\$50	\$60	\$40
Licensing costs per unit	Execution	\$4	\$6	\$3
3 rd party channel incentive	Adoption*	\$12K	NA	NA
New hardware development by 3 rd party	Co-innovation*	\$350K	\$700K	\$200K

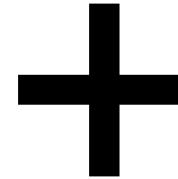
We run a stochastic model to understand the “odds” of success – sometimes no better than a coin toss



Our goal then shifts to improving the “odds” of making money – before we invest in technology - by focusing on mission critical unknowns



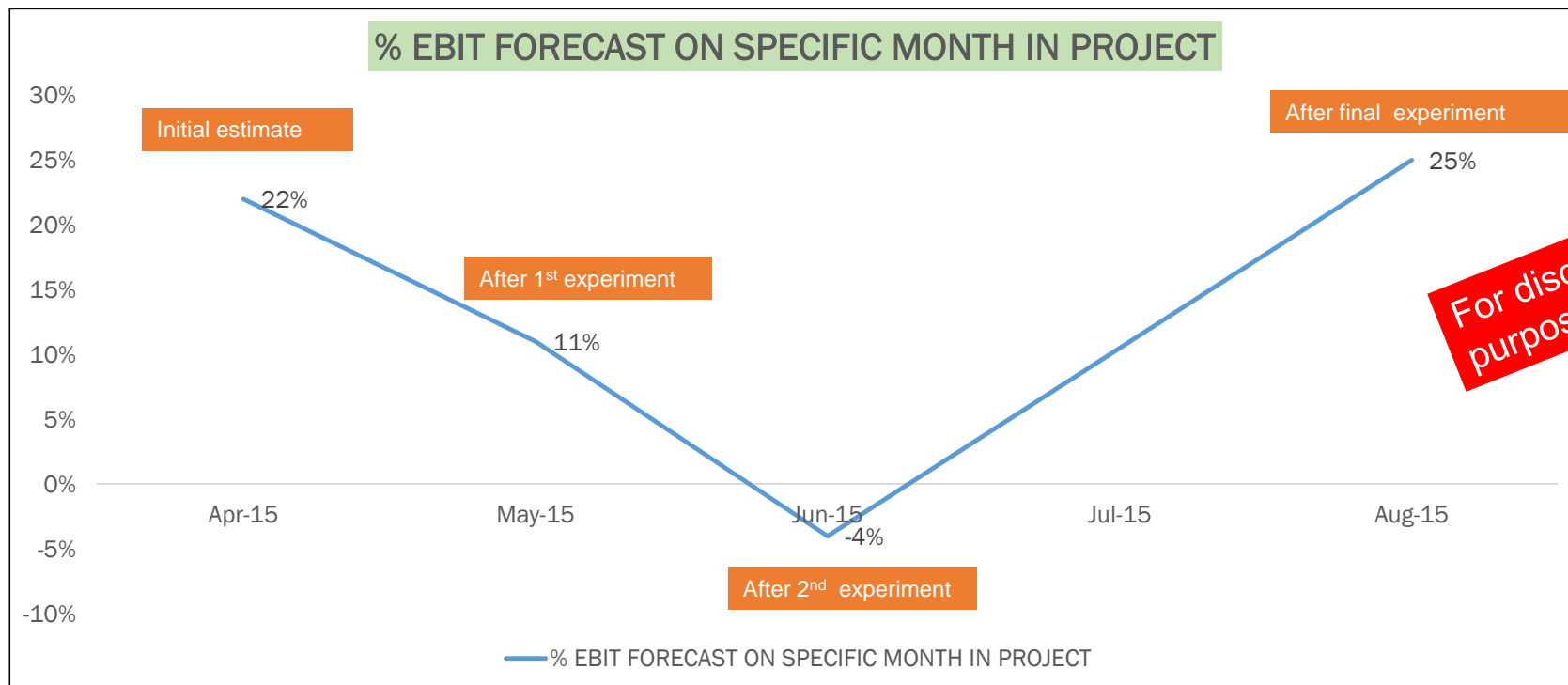
In the specific example, we set up a kiosk in a shopping mall, mocked up a prototype, solicited feedback & asked for pre-sales commitment



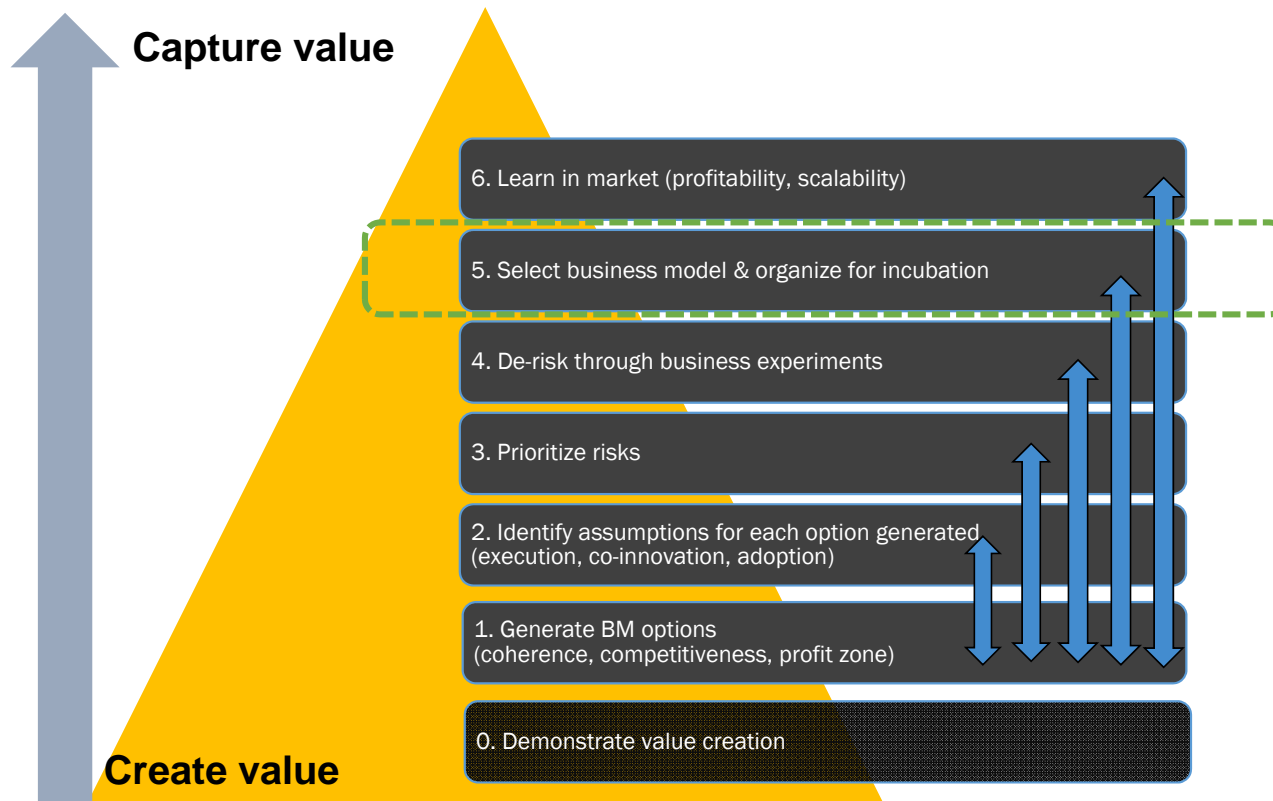
Pre sales form asking for:

- 1) Name
- 2) Price acceptance
- 3) SSN
- 4) Signature
- 5) Date
- 6) Phone / email etc

After a series of experiments & consequent revisions to the P&L, we assess whether we have learned what we could have before investing



When no further de-risking is possible without being in market, we set up a small team to incubate the business



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Q&A