

Sustainability Blog

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Learn How to Build Resilient, Sustainable and Innovative Business Models

Together with our clients, we explore diverse business model landscapes, integrating various sustainability perspectives to explore transformation pathways towards more innovative and resilient models.

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This article outlines how we embark on this journey, exploring the range of sustainable business model concepts providing insights into how organizations can transition towards more sustainable and impactful operations.

In today's complex and rapidly changing environment, businesses across the globe are faced with a variety of challenges deriving from shifts and dynamics in relation to demographic structures, regional regulatory requirements, societal needs, climate change, globalization, and various other developments. Building up and maintaining a resilient business model based is therefore essential to guarantee the long-term license to operate for businesses.

Exploring the wide range of opportunities and potential for creating value sustainably, as well as envisioning what resilient and innovative businessmodels could look like, is a core focus of our Sustainable Innovation team. Starting the journey with impulses on the diverse landscape of business models, we are engaging in meaningful discussions with our diverse client base to support their transition to more innovative solutions, explore the landscape of transformational pathways and initially identify the model that suits best to each organization.

To guide these discussions, we specifically designed business cards related to key sustainable business models. Among those are some that focus on social aspects putting impact creation at the core of business; others reinvent the financing system or pricing structure while there are also options to include cooperation in a network. So, what's it all about? Which options are there to transform your business? We have organized the large variety of business models into themes and will dive deeper into some core sustainable business model clusters that can be a great opportunity to face our complex world and built up a resilient business model within this blog post. Due to the repository and viability, we choose three broad clusters that are representing different approaches to value creation:

Pricing and revenue patterns

To begin with, we first take a traditional profit-oriented perspective considering financing and pricing structures in order to evaluate how to "make" business models future-proof. Diverting from a traditional business model, pricing models could, for instance, be shifted towards a subscription or freemium model guaranteeing long-term income in contrast to (often only) a onetime client contact. This so-called "razor blade model" does not inherently make a business model sustainable but it can help to secure long-term economic success. Besides that, product service systems (PaS) are a prominent example for how to rethink traditional value generation from a product-based business model towards service-orientation. By focusing on outcomes, such a service-based offering can not only contribute to better results and higher customer satisfaction, but it also guarantees adequate rethinking of the end of life or how to extend a productions lifetime including options such as repair or refurbishment by designing products and service offerings in a manner to last long and create long-term value for the operating business.

FREEMIUM

THE BUSINESS MODEL

A freemium pricing strategy enables users to access a free "basic" version of a product or service, but having to pay a fee to move to a "premium" version with enhanced features.

This strategy is frequently used for digital goods, products, and software. It allows all customers, including those without financial means, to access the core product features, demonstrating access to services while encouraging upgrades for those who can afford it.

SUCCESSFUL EXAMPLES

Canva: The graphic design platform provides templates and design tools for free. However, to unlock certain functions, editors and more advanced features or templates, a paid subscription is required.

Zoom: For its videoconferencing software, the basic plan is free up to a certain number of call minutes and participants. To increase these limits, a subscription fee must be paid.

PRICING & REVENUE

Shifting from no price and offering free product revenue.

COMPETITIVE ADVANTAGE

- Customer Engagement:** engage customers with your product's "basic" features, without an initial barrier.
- Scalability:** freemium offers access for digital products, so they are highly scalable and highly innovative.
- Customer Acquisition Cost:** the customer acquisition cost for freemium strategies is low because the platform and services already exist, so the individual CAC is small.

CRITICAL QUESTION

How might you provide free, basic access to your product or service, with an effective upgrade option?

ESG FACTORS

Which Environmental, Social and Governance factors this business model affects:

E	Environmental Protection	Community Relations	Product & Data Security	Business Sustainability
	S	Community Relations	Product & Data Security	Business Sustainability
G	Business Ethics			

Community platform & closing-the-loop patterns

An alternative perspective and approach towards shifting one's business model, can be in the field of sharing incorporating network structures and more holistic system thinking. Community platforms can present such an engagement format by enabling sharing and connecting within a neighborhood. Nowadays not only cars are offered as a sharing model, but several other products could in theory be designed with the intention for shared ownership. Beyond PaS and sharing systems that integrate the service idea into the business model, there are also several other sustainable business models that can contribute to the transformation to a more circular economy. Among those closing the loop strategies are reusing of products or recycling of materials or components to avoid waste and keeping resources, materials, components, or products in a closed circle. Moreover, eco-design patterns can be valuable at the design and conceptual stage very early in product development and can ease end-of use treatment and easy reuse, refurbishment, or recycling. This entails, for instance, the use of mono materials that are typically easier to recycle or modularly designed products that can be disassembled easily.

SHARING BUSINESS

THE BUSINESS MODEL

A peer-to-peer network system, often in the form of a community-based online platform, enables offers and those seeking offers. This sharing economy allows customer access to many products or services by offering them to others. This is sustainable, because the same asset can be used by multiple people and eliminates the need for a purchase.

SUCCESSFUL EXAMPLES

Knixnet: a platform that brings B2B companies together with B2C users, but the average use is around 10% of the year. It shows these vehicle owners to maximize off of sharing their assets through this peer-to-peer network.

Adidas: with over 4 million members from 180 countries, Adidas has become a trendy and popular way to travel. The platform connects users with those offering their home for rent, a successful sharing business model.

COMMUNITY PLATFORM

Offering resources or products, monetized based on customer-based access to resources and products.

COMPETITIVE ADVANTAGE

- Low risk:** without the need for many physical assets you can create a market with low financial risk for those services offering or business.
- Direct network effects:** the value of the business increases over time as the number of users increases.
- Scalability:** as this model is based on a virtual platform, there is a high degree of scalability of the offering.

CRITICAL QUESTION

How might you enable your customers to easily share or offer things they already own?

ESG FACTORS

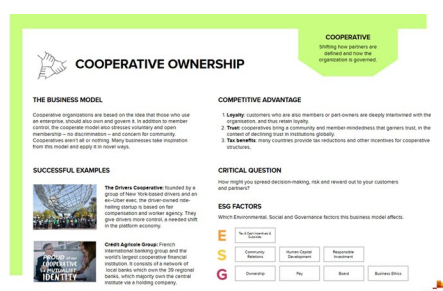
Which Environmental, Social and Governance factors this business model affects:

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Cooperative & social mission patterns

Alternative ways how to shift business models can be found in the social sphere. Sustainability can be seen as an interface, an interdisciplinary topic that requires cooperation within and across organization in order to

get data, implement actions and create an impact. Cooperative patterns within the company but also with various stakeholders in the value chain and regional surrounding are core. Changing access provision patterns, where consumers get access to products and services that would normally be challenging, can also be a sustainable business model and can help approaching (potential) new costumers. Beyond this, there are options to increase the social footprint such as giving patterns that allow for cofinancing (e.g., of tickets, health care, food) that can be selected or where ticket prices are based on income structures. A social mission pattern follows a similar path, placing the creation of social and societal value at the heart of the business. This pattern is gaining more attention as both applicants and customers increasingly prioritize additional criteria when selecting employers or companies to support.



Due to the variety and complexity of these models, we will explore more of them in detail in the following months. Moreover, we would be happy to dive deeper into the various potentials for your business model transformation and explore which might be the useful and suitable for your organization. Reach out anytime to our Sustainable Innovation team for more insights.

Also relevant:

- **Sustainable Innovation @PwC Germany**
- PwC Sustainable Business Model Canvases
- Scaling circular business models in electronics
- Das Potential zirkulärer Geschäftsmodelle in der Elektronikindustrie

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Schlagwörter

Circular Economy, ESG, Innovation

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