The Wisdom of the Crowd: New Business Models

Leading experts share their views on the emerging generation of more sustainable business models

THE CROWD

FISHBURN™

Contents

> "New Business Models are not popping up because they're a grand design for sustainability, they're popping up because they're better for the consumer. The reasons that AirBnB, that Zipcar, have emerged and are doing so well is because they deliver something consumers want. Oh and by the way, is more sustainable."

Mike Barry, Director of Sustainable Business, Marks and Spencer

About the Changemaker Series

Most of the social and environmental innovations needed for 9bn people to live peacefully already exist. They lie in the fringes of the economy, in different sectors, organisation types and geographies.

It follows that if we pool these innovations into one place where all organisations can learn from each other, we can accelerate the development of a sustainable economy. The Changemaker series has been designed by The Crowd, and our crowdsourcing partner Fishburn, to achieve this.

For each Changemaker, we identify a theme that is ripe for transformation, and an individual or organisation that is capable of catalysing change. We crowdsource the latest innovations through blogs, a survey, a panel discussion and roundtables, culminating in a report that is circulated to our expert community.

Mike Barry, Director of Sustainable Business at Marks and Spencer, is our third Changemaker in the series. We wanted to expose Mike's view, that new business models have the potential to be transformative from a sustainability perspective, to a crowd comprising big business, entrepreneurs, NGOs and commentators.

218 people from 160 different organisations fed into this process. 22 blogs were written on a variety of perspectives, 80 people completed a survey, and 160 people attended The Crowd event on the 7th October, taking part in 14 roundtables. You can see a list of the contributing organisations at the back of this report.

Other reports by The Crowd and Fishburn :

An expert crowd's review of Sainsbury's 20 x 20 Sustainability Plan
http://www.thecrowd.me/content/sainsburys-wisdom-crowd

An expert crowd's view of Net Positive business strategies
http://www.thecrowd.me/content/net-positive

An expert crowd's view of Putting a Value on Social Programmes
http://www.thecrowd.me/content/putting-value-social-programmes

Introduction

The Wisdom of the Crowd tells us that major sectors of the economy face disruption from a new breed of business models. With much of this change being driven by early stage business, they pose both a threat and an opportunity to big business. The central question is: how can big business compete in a disrupted marketplace?

From Mike Barry, Director of Sustainable Business, Marks & Spencer

I believe it's time that we, the business community, accelerate our work on new business models. Many of these business models will deliver massive social and environmental improvements compared to today. Crucially their growth is being fuelled by giving the consumer a better personal outcome, which gives me the confidence that their uptake could be rapid, and the disruptive threat to unsustainable business models will be driven by market forces as much as regulation, taxation and campaigning.

For this Crowd event, we wanted to get to grips with these new business models. What they may look like; why they could be much better for consumer, planet and society; how existing sectors may be disrupted; and who the winners and losers may be. We're also wanted to understand the enablers that these new business models will require; the business skills, policy framework, consumer insight and the ability to create shared value partnerships.

From Jim Woods, CEO, The Crowd

Mike's suggestion of "new business models" for his Changemaker was immediately interesting. At a time when many of the architects of sustainable businesses are grappling with a lack of stakeholder pressure, particularly coming from consumers, these new business models can offer a better consumer proposition and improved sustainability. That points to change that is driven by the normal motivations of the economic system.

The crowd generated more intelligence than on our first two Changemakers, and we have sought to distil the views of 218 people into this report. The emerging message is challenging: most of these new business models offer a lower ROI than normal business, but they indicate where financial success will lie tomorrow. All companies, particularly those in the business-to-consumer sectors, need to have a plan.

Executive summary

The aim of this report is to identify the emerging business models, their potential to deliver better social and environmental outcomes, and explore the ways that big businesses are engaging with them.

What have we learned?

The internet has already changed the way we do business in so many ways. What is clear, from the views of the 218 people who have fed into this report, it is also enabling a new generation of more sustainable business models. These new business models seem destined to reorganise key business-to-consumer sectors such as energy, finance and retail and spread to others sectors.

What are these new business models? There is a wide variation, and whilst some will win out, others will fall by the wayside. But it is clear from the conversations that models such as peer to peer, access over ownership and closed loop offer new ways to consume resources.

Perhaps the biggest take away from this report is that many of these new business models are being driven by good old fashioned market forces. They offer something that the traditional linear business models don't. Efficiency sits at their core – they allow people to access resources more efficiently, and often to form better social connections with each other. They put social purpose at their heart, and in doing so they also create greater value for consumers.

As is typical of the early stages of a disruptive shift, these new business models tend to offer lower returns on investment than established business models. This presents a challenge to incumbent organisations: at what point should they start to invest in these new business models? Do they wait until the ROIs show signs of improving, or will it be too late by then?

We have drawn the findings of this report into four areas: the form that these new business models are taking, the drivers of change, the sectors that are being impacted, and – perhaps most importantly – the crowd's tips on how to invest in new business models.

> “I'm not sure consumers have huge appetite for change for the sake of change or for new business models because they wake up one morning and think “I want a new business model”. They simply want better value. And until a business can demonstrate that it offers better value then the method of delivery I think is rather meaningless.”

Giles Andrews, CEO of Zopa, in the panel discussion

How can business compete in a disruptive marketplace?

As in any disruptive moment, the new strategies are highly dispersed across sectors – the challenge lies in identifying them.

We draw on four channels to capture the thinking of the crowd:

- 22 blogs from corporates, NGOs and advisors, covering different angles of disruptive business models
- A 7-question survey that was filled in by 80 people, with multiple choice and open questions
- A 90-minute panel discussion, with Mike Barry, Justin DeKoszmovszky (Puma), Giles Andrew (Zopa), Kresse Wesling (Elvis and Kresse), Paul Turner (Lloyds Banking), Sally Uren (Forum for the Future)
- 13 roundtables on different topics, with 10-14 people per roundtable.

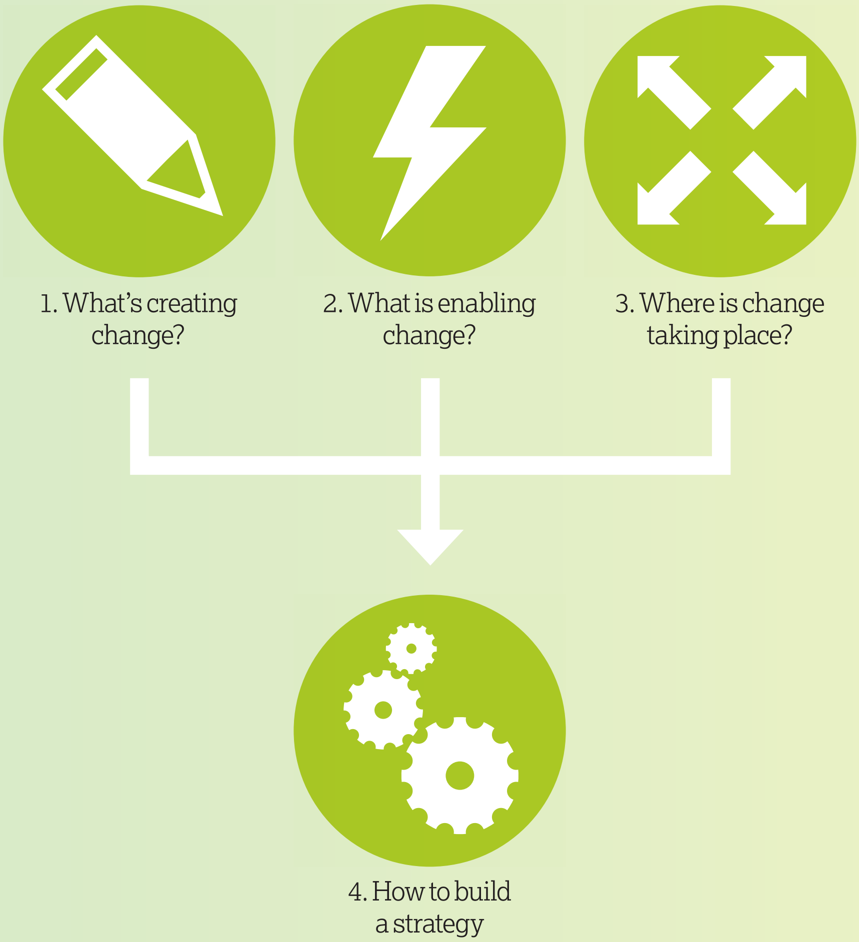
We have broken down this incoming intelligence into four sections:

1. What's creating change? Which new business models are having the greatest, disruptive impact on business-as-usual?

2. What is enabling change? Why are these new business models gaining momentum, what do they deliver that is better than the status quo?

3. Where is change taking place? Which industry sectors are most impacted?

4. How to build a strategy? What can businesses learn from the success of these emerging companies, and what are the strategic considerations for being competitive in the future?



What's creating change?

The crowd identified and explored five main business models disrupting conventional marketplaces.

Five new business models

What is a new business model? Without wanting to get too technical, we need to start with a working definition of a business model. The crowd offered a number of definitions, including those of Clayton Christensen and Alex Osterwalder. Our preference is to see it as the blueprint for how a business does business, or as Adrian Slywotzky put it in 1996:

"The business model is the totality of how a company selects its customers, defines and differentiates its offerings, defines the tasks it will perform itself and those it will outsource, [how it] configures its resources, goes to market, creates utility for customers and captures profits."

What do we mean by a disruptive business model? A disruptive business model creates a new market, and eventually goes on to disrupt an existing, mainstream market. In this respect, the crowd distinguished a disruptive business model from a disruptive innovation. Innovations change technology. Disruptive models change markets.

The five standout models. According to the crowd, five new business models have emerged in recent years with game-changing implications for companies across multiple sectors

The new business models

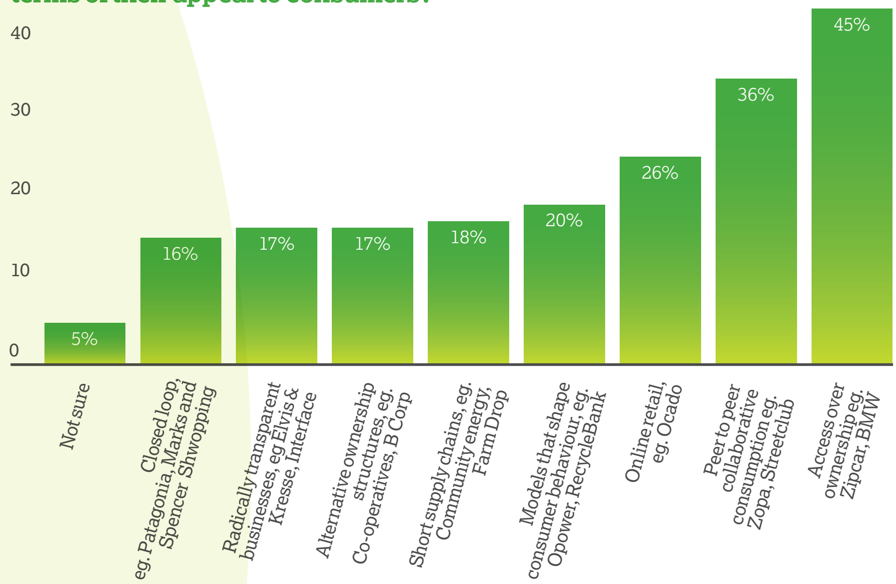
1. Peer-to-peer
2. Access over ownership
3. Closed loop
4. Radical transparency
5. Shorter supply chains

Of these five, there were three new business models that stood out in the crowd's eye – peer-to-peer, access over ownership and closed loop.

What's creating change?

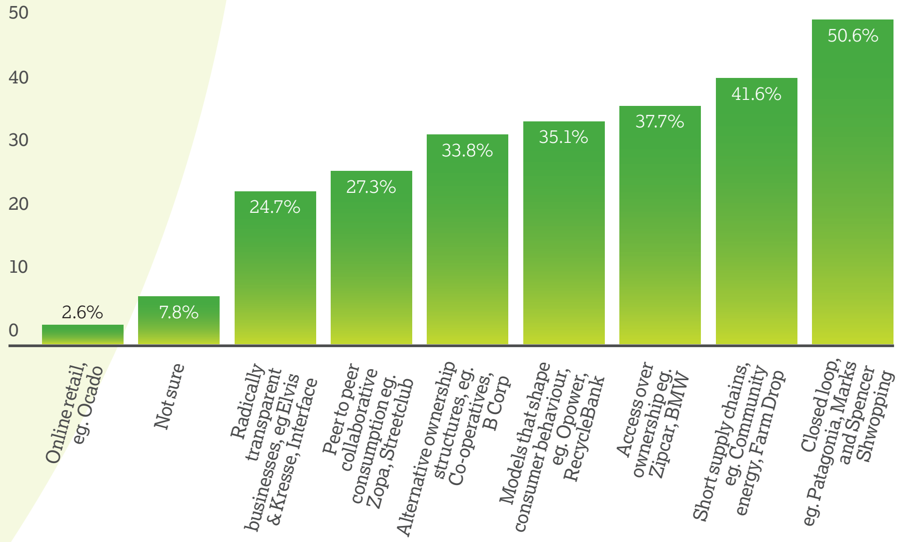
The crowd identified 'access over ownership' and peer-to-peer as the two new business models that could prove most disruptive due to their appeal to consumers.

Which of these new business models do you see as most disruptive in terms of their appeal to consumers?



The crowd identified Closed Loop Innovation as the disruptive new business model that could deliver greatest social and environmental benefits.

Which of these new business models do you see as most disruptive in terms of delivering better social and environmental outcomes



What's creating change?

A look in detail at the five most disruptive new business models

What characteristics distinguish the new breed of business models? How established are they, which companies are leading the way, what consumer/social problem do they help address? These are just some of the questions the crowd examined during the plenary, roundtables, blogs and pre-event survey.

According to the crowd, who is driving best practice?

- Zopa
- BlaBlaCar
- StreetBank
- Airbnb

1. Peer to Peer?

Peer to Peer describes a world where people act as both suppliers and consumers of resources – everyone is a producer/lender, everyone a consumer/borrower, cutting out the middleman. These models help to use existing infrastructure whether it be cars, bicycles, rooms, bank balances or consumer electronics much more efficiently with correspondingly reduced environmental impact.

According to the crowd, how advanced is peer to peer?

- More beds are booked each night on Airbnb, a peer-to-peer than at the Hilton, the world's largest hotel chain according to Sam Stephens' blog
- The Lending Club, a peer to peer lending site, lent over $200m in September, taking total lending to over $1.8bn
- Drivvy, a website where you can hire a neighbour's car (or rent out your own), is achieving 6,000 rentals a month in France with an average hire time of four days
- The Sharing Economy is already estimated to be worth over £330bn, with the UK accounting for £22.4bn (1.3% of GDP, predicted to rise to 15% by 2016). (source: What's Mine's Yours, the Rise of Collaborative Consumption by Rachel Botsman).

According to the peer to peer roundtable, what's the appeal to consumers?

- **Efficiency.** As Giles Andrews, CEO of Zopa, argued: "efficiency of the business model – that's the really powerful and disruptive force." People can get better value by trading directly with each other than with an institution. The 'peer-to-peer' roundtable felt the companies most likely to need to find new "ownership" and "sharing" business models in the future are those which sell products that are rarely used, e.g. luxury goods, products for children, seasonal leisure products, transport services
- **Sociability.** In his blog, Seb Beloe described how BlaBlaCar, the car sharing service, requires ride-sharers to register themselves as being either 'bla' (not very talkative), 'blabla' (quite talkative), to the top end of loquaciousness with 'blablabla'!. This opens up a whole new dimension in finding the perfect ride.

What's creating change?

2. Access over ownership

This business model challenges the notion that you need to own products, and recognises that a growing number of people just want to have access (rental) when needed. Why own a powerdrill, which is on average used for between six and twenty minutes in its entire lifetime? The crowd noted the notion has been in existence for some time (e.g. renting a holiday home instead of owning one), but thanks to the internet is being extended to smaller and smaller assets.

The crowd consider access over ownership as also relating to our behaviour: our trust with others, our sense of belonging within a community, our understanding of what ownership means, what commons are, and what we actually need to be happy or to achieve wellbeing.

According to the crowd, how advanced is access over ownership?

- B&Q – created Streetclub, where communities can trade, swap, barter, lend, gift or share anything from power tools to unwanted furniture, and offers a good example of how a large corporate can harness new access over ownership models
- BMW's Drive Now premium car sharing programme – illustrates how even established 'makers of things' are experimenting with new business models core to their social purpose: BMW are in the 'mobility' business, not merely the manufacturing business, as Sally Uren said in the plenary.

According to the access over ownership roundtable, what's the appeal to consumers?

- **Financial saving.** Avoiding capital outlay, accessing latest products without depreciation concerns
- **Ease.** Avoids maintenance, insurance etc
- **Social experience.** Sharing assets can create a better social experience
- **Environmental considerations.** The efficient use of assets and materials, albeit seen as a secondary consideration by the crowd.

According to the crowd, who is best practice?

- Zipcar
- Airbnb
- BMW's "Drive Now"
- B&Q's Streetclub

What's creating change?

3. Closed loop

With rising commodity prices, depleting natural resources and political appetite to put a value on nature, closed loop business models enable companies to recover valuable raw materials after they have been used. Cost savings through the efficient use of materials in consumer goods alone could amount to $700 billion. Little surprise, then, that the crowd felt that this was the business model that would probably bring most environmental and social benefit.

But this involves massive technical innovation, as Justin DeKoszmovszky says in his blog, since products have to be designed with disassembly and re-manufacture in mind. This means working with strategic suppliers to build new capacities to manufacture with recycled raw materials, while changing behaviour through product marketing to make consumers aware, informed and active parts of closing the loop.

According to the crowd, how advanced is closed loop?

- The crowd felt few businesses successfully practice closed loop recycling, in the purest sense. These tend to be in areas that involve relatively high value, durable items and long-term use
- Closed loop is harder in industries (e.g. FMCG) with higher volumes of lower value items to re-capture and extract value from
- Recognising the value itself is often not the issue, rather making it viable to extract (achieving the right scale, distribution etc.)
- Puma/InCycle – has made closing the loop one of its top priorities after value chain analysis identified the creation of raw materials accounts for 57% of its cradle to gate impacts – mainly from growing cotton and raising cattle. Closing the loop, completely, therefore means no more virgin cotton or leather
- Coca Cola Enterprises – In this blog, Joe Frances says CCE have cut their use of packaging materials by over 2.5 million euros in the past year) through collaborative 'closed loop' joint ventures, including increasing capacity within the plastic reprocessing industry, driving more recycled PET into bottles and helping to establish the largest plastic bottle reprocessing plant in Western Europe.

> "By closing the loop we mean that this shoe, when I have worn it to my heart's content, and maybe donated it so someone else can wear it to their heart's content, can be fully recycled into an equal or better shoe. "At the end of its life, my beloved old shoe is now valuable raw material."

Justin DeKoszmovszky, Head of Puma's Global Sustainability Strategy

What's creating change?

4. Radical transparency

Is transparency a business model? The crowd felt new expectations on transparency – some cultural, others mandatory – were changing both the conditions, and nature of the way companies do business – opening up new markets and unlocking new possibilities for innovation. In his blog, Ramon Arratia highlights how mandatory disclosure of carbon emissions, introduced by the 1999 Car Labelling Directive, helped lay the foundation for a change in consumer habits and product innovation.

According to the crowd, what is the business case for being more transparent?

1. Risk management – being more transparent drives, by necessity, a deeper understanding of your operations and supply chain (particularly at the tier 2/3/4 level); surfacing risks and enabling areas of competitive advantage.
2. Better relationship with supply chain – it opens the door to enhanced collaboration (e.g. at the farm level) and helps to de-risk security of supply issues.
3. Trust – a combination of the above, greater openness across the supply chain builds stakeholder, shareholder and consumer confidence– a salient point following the horsemeat scandal.

How open to be?

While the crowd agreed that increased openness shouldn't invite over-exposure, they were critical of a 'pick and mix' approach. In the plenary, Giles Andrew argued that transparency is not a tap companies can turn on and off as you please: "You have to be transparent in everything you do. You can't wake up one morning and say it's a bit inconvenient today, you have to live it consistently; inch by inch, building up trust assets."

Who the crowd think is doing corporate transparency well

- Innocent - their openness on where they source their fruit
- John West - for barcodes on their tins of tuna that allow consumers to find out about the origin of the fish
- Nike
- Zopa
- Trido

What's creating change?

5. Shorter supply chains

Coupled with greater corporate transparency, new models are emerging that give consumers (and companies) greater traceability of products. In the wake of the horsemeat scandal, the crowd agreed with Mike Barry's view that fewer steps in supply chains can ensure that they are "more transparent, move faster, operate more efficiently and get more value to the primary producer."

By shorter supply chains, the crowd identified three definitions:

- Geographical distance – consumer to source
- Number of connections and complexity
- Time – especially relevant in food and drink sectors.

The crowd says, the strengths of shorter supply chains are:

Trust and traceability: McDonald's was identified as a good example of this. Its 'Quality Scouts' programme allows the public to chronicle the journey of iconic menu items from some of the 17,500 British and Irish farms that supply McDonald's.

Risk management: shorter supply chains create greater control, as Kresse Wesling identified in the plenary: "I know how much people are paid and I know they are paid well, and I know that nothing is going wrong"

How the crowd thinks businesses can shorten their supply chains

- **Greater integration:** incorporate external supply chain into companies' own supply chains
- **Joint ventures:** use shared security of supply challenges to work with others in your industry
- **Keep it human:** volatile commodity prices make it tempting to flit between supplier to keep down costs. Puma's advice to the crowd was to work out where changing a supplier could lead to job losses, especially in developing countries
- **Share knowledge:** shorter supply chains have the potential to be more creative and responsive, saving costs as well as reducing impacts. Marks and Spencer regularly convenes its suppliers
- **Create a clear line of sight:** the supply chain roundtable felt there is a good opportunity to connect different supply chains to different parts of the business – right now it is too complex and extensive
- **Incentivise accountability:** reflect environmental and social supply chain targets in executive remuneration.

Who is doing it well?

Aveda (has control, visibility).
McDonalds, local sourcing

What's enabling change?

The technology roundtables highlighted the three key technologies behind change

1. The internet – a platform for social media, which is empowering society, and for a generation of more positive business models such as collaborative consumption and local food models such as Farm Drop.

2. Mobile (including mobile internet) – removing the need for large infrastructure programmes in developing countries, especially around telecoms and banking. There are particular opportunities for health and education.

3. 3D printing – the key benefits are reduced waste, potential for shorter supply chains, and the health benefits of bioprinting.

During the roundtable discussions, we asked the crowd to identify and assess the social forces driving these new business models.

They identified several, which we have separated into two categories:

1. **Technology**, as a force for disintermediating incumbents, accelerating innovation, increasing transparency and enabling the sharing of assets and resources peer-to-peer communities. Put simply, most of these new business models would not work without the arrival of new internet-based technologies.
2. **Consumer pull**. The crowd shared Mike Barry's assessment: fundamentally, disruptive business models derive their ability to disrupt markets by chiefly offering consumers greater value than available through incumbent business models. Environmental or social benefit follow from doing this more efficiently.

Enabling technology

As a way of accelerating connections between people, technology was seen by the crowd as the greatest, single enabler of new business models and their capacity to disrupt existing markets.

Matchmaking demand and supply. In this blog, Seb Beloe cites the influence of Rachel Botsman, widely regarded as the spokesperson for the access over ownership movement who describes technology as having "unlocked the idling capacity":

"That could be a spare room in someone's house, the spare seats in someone's car or investments that you don't have in the bank." Technology is playing a major enabling role in all of the new business models, particularly the internet. And looking to the future, the growth of mobile internet, big data, remote senors and 3D printing are all expected to further enable change.

What's enabling change?

Which incumbent businesses are redefining themselves with social purpose in mind?

- Food companies – including Nestlé, Unilever, and Danone – redefining themselves as health, wellness and nutrition companies
- Technology companies – including Intel, IBM, and GE – repositioning themselves as enablers of smarter, more sustainable cities
- Carmakers – including Nissan and Toyota – making low-emissions mobility part of their central mission

The consumer pull

If the crowd shared one view, it was this: creating superior 'value' for consumers is critical to the success of new business models, and their ability to dislodge existing leaders.

What does this value mean? The crowd identified six elements:

i) Better value for money
Through great efficiencies, the new breed of business models can reduce costs and enable customers to save more money. The average room on Airbnb was 49% cheaper than an equivalent room in a hotel, according to Sam Stephens, founder of Streetbank.

ii) Offering better social relationships
Many of the business models considered are more social than traditional business models, enabling people to get to know each other in new ways. Although they have not met before, BlaBlaCar, enables members to meet neighbours, which turned out to be the most appealing aspect of the service.

Agamemnon Otero, the founder of community energy scheme Repowering, says the company gives people who feel marginalised in the current job market, the opportunity to say, "Oh I am respected, I can be part of this, I can invest in a project or I can wade further in if I want. I can put my child or nephew into a work experience… I can help my neighbour or grandmother be warmer". His mission is to empower people and communities.

iii) A simpler offering
The simplest solutions are sometimes the best. Peer-to-peer lender, Zopa, pinned their success in part on delivering a "refreshing" clarity in a complex and confusing market by paring product propositions down to the essentials.

iv) Sense of purpose
The crowd believe purpose will be paramount in a resource constrained world, where ultra-transparency is the norm and where values are part of the value consumers seek. In this Brave New World, the "innovativeness" of many of the most successful new business models (access over ownership, peer to peer, closed loop) "is driven out of the clarity of their social purpose" as Phil Drew at Fishburn, writes in his blog. But importantly, this also presents opportunities for incumbents to reclaim the initiative.

Paul Turner, Lloyds Banking Group's Community & Sustainable Business Director, echoed this: "Purpose which values centric purpose can be so powerful in an organisation of any size, and that can bring focus, and it can bring pride, and let us not forget that brands are no longer owned by us, they're owned by you, the crowd, by social media, and having a purpose that we hold true"

What's enabling change?

With a clearer focus, "purpose can also provide a new model for measuring business performance, as Kresse Wesling, Co-founder of Elvis & Kresse, argued in the plenary: "Scale for us is all about turnover but not necessarily a turnover of money, it's about turnover of waste, and this is the figure at the end of every year that we're most proud if it's grown significantly"

v) More trusted
A loss of trust is becoming a defining feature of contemporary business models, as sectors such as energy, banking and retail search their souls to restore trust with society. Sam Stephens, the founder of Streetbank, argues in his blog new business models will play a significant role in turning "the vicious cycle of isolation, fear and mistrust" into a "virtuous circles of connectedness, belonging and trust".

vi) The environmental case
There are over £3.5 trillion worth of unused assets in the world, (source: The People Who Share) that's one big opportunity. As Benita Matofska , founder of People Who Share, argued "the very idea of allowing precious resources to languish idly when they could be used (at a cost) by another business, makes no sense at all to adoptees of this burgeoning new economy. When you could increase your bottom line by accessing a service like globechain.com why wouldn't you?"

"The first question to ask of your business model, your products and services, as you begin this journey, is what is the purpose? Going forward, if that purpose isn't linked to the creation of some sort of environmental, or social value, as well as the more classic economic markers of value, then the purpose might be quite short-lived indeed."

Sally Uren

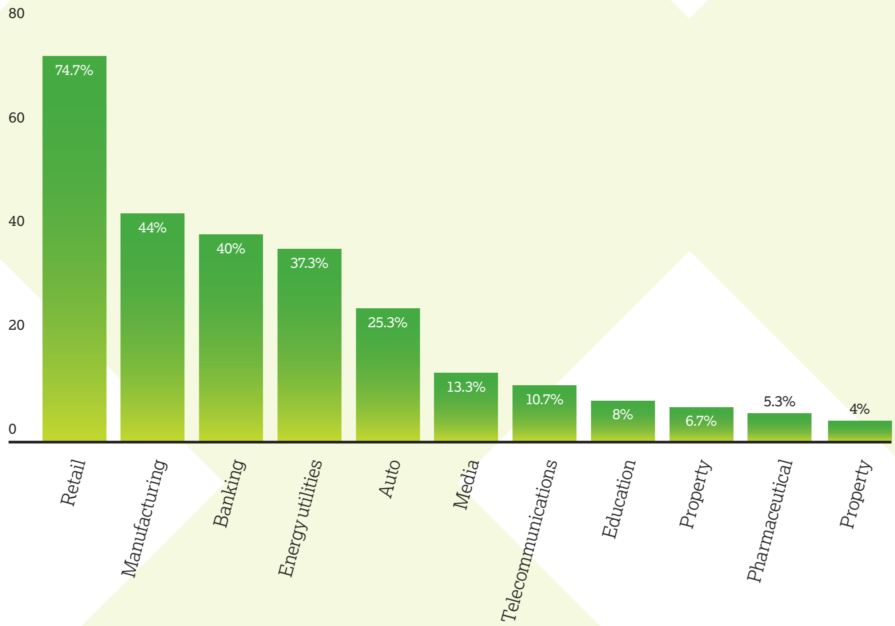
Where is disruption taking place?

Which sectors are being most impacted?

Which sectors are most susceptible to disruptive innovation, why and how?

The business models we have considered in this report are “business to consumer”, but their upstream suppliers need to be aware of how these changes impact their role in the supply chain. It is clear from the conversations within the crowd that people in the energy, financial, retail and auto sectors should be most conscious of these new business models, though the change is likely to spread to other sectors.

Which sectors do you expect to be most disrupted by these new business models



Where is disruption taking place?

Energy

The energy sector is ripe for evolution from centralised to distributed power. We are seeing a shift in generating capacity, particularly renewable energy, being owned by individuals, community groups and private developers. As Paul Monaghan points out in his blog, 40-50% of Germany's renewable energy capacity is owned by these groups.

Many people talked of the explosion of new micro-renewables providers and community-owned or crowd-funded clean energy schemes, often enabled by digital channels. In his blog, Dax Lovegrove notes there are over 40 community-owned energy schemes in the UK, accelerated by crowd-funding schemes such as Abundance Generation and the Trillion Fund.

The dominance of the traditional business model is under threat. With independents now operating 53% of the UK's renewable energy generation, change may be in store.

The 'tomorrow's energy' roundtable found that "the combination of the need to decarbonise the network, increased interest in community energy projects, and stop-start investment in centralised infrastructure was a disruptive cocktail" .

What are the top 3 trends that are disrupting tomorrow's energy company?

- **Increasing politicisation.** Increased political intervention resulting from public concern at rising energy bills and overcomplicated tariffs was flagged as a major trend
- **Energy insecurity.** The risk of blackouts was cited as a reputational issue and an impetus for change – though the group hoped that action would be taken before that point is reached
- **Policy pressure cooker.** The combination of the need to decarbonise the network, increased interest in community energy projects, and stop-start investment in centralised infrastructure.

Where is disruption taking place?

Financial

Like the energy sector, the financial sector is facing a crisis of trust, but Giles Andrew, the CEO of Zopa, was quick to point out in the panel discussion the peer-to-peer business model owes more to the value that it offers consumers than the trust it creates.

Zopa is a 10-year-old business that has lent over £400m and is currently lending around £20m per month. It is the largest peer to peer lending business in the UK, and yet accounts for just over 1% of the personal loans market. Andrew told the crowd the reason Zopa has been able to grow as fast as it has is because it focuses so thoroughly on the values of the consumer in a sector that has lost sight of what it is there to do.

Once Lloyds had articulated its social purpose ("helping Britain to prosper"), Paul Turner explains the bank was in a much stronger position to define and measure success or as he put it to "determine what you do and what you don't do…we've stopped doing quite a lot of stuff and we've started doing more stuff."

What are the top 3 trends that are disrupting tomorrow's bank?

1. **Capital-lite models.** Use of mobile and internet-based platforms, removing need for expensive, real-world assets e.g. bank branches.
2. **Smaller, regional banks.** A sense of nationalism is growing, meaning global financial institutions will find it harder to survive. People are less willing to accept banks as 'too big to fail'.
3. **The use of digital platforms.** It used to be the case that to set up a bank required you needing a big balance sheet, but companies like Zopa only require a few million pounds of equity funding.

Auto

The crowd identified the automotive industry as among the most exposed to new 'access over ownership models' such as Zipcar, which provides prompt online access to car sharing. Others in the market include Blablacar, which connects drivers who have empty seats with people looking for a ride and, now and has 600,000 users a month. Drivvy, a website where you can hire a neighbour's car (or rent out your own), is achieving 6,000 rentals a month in France with an average hire time of four days.

Leading car manufacturers, such as BMW, are even getting in on the act with its car sharing service DriveNow. The movement is borne out of a simple but significant insight : "instead of owning their vehicle of choice, [customers] just want to use it", as Dax Lovegrove, Head of Business Sustainability & Innovation at WWF-UK, argues in his blog.

Where is disruption taking place?

The crowd identified three main disruptive forces helping to redefine automotive:

- **Potential cost savings** – without comprising on convenience e.g. both avoiding upfront spend and paying for depreciation
- **Changing cultural aspirations** – ownership is no longer the status symbol it once was, even for customers of premium brands e.g. BMW
- **Addressing urban anonymity** – the car sharing service BlaBlaCar, so-called because it pairs up users based on how talkative they regard themselves, found meeting neighbours to be the most appealing aspect of the service.

Retail

According to the crowd, retail is the sector most likely to be disrupted in the future, in fact many thought it already is experiencing significant disruption. The most obvious example of this, as Sally Uren pointed out in the plenary, is the shift to shopping online.

Top three ways in which disruptive business models are transforming the way corporate buyers, regulators and consumers make decisions:

1. **Citizen consumers.** Consumers are increasingly coming to make their purchasing decisions on the basis of "value" as a whole, as opposed to race to the bottom prices. This incorporates basic qualities like a retailer's ability to provide excellent customer service, and to meet their sustainability expectations.
2. **The power of technology.** Technology has empowered consumers when it comes to selection. Phenomena like 'Showrooming' means consumers can pick and choose where they shop more so than ever before. However, for retailers, this same technology has allowed them to increase the number of customer touch points by means of apps, targeted advertising and so on.
3. **Collaboration.** The old business model of businesses competing against each other in every aspect of their work is no longer true in all respects. Recycling packaging and waste for example, are now seen as a civic duty in which companies have to collaborate for the greater good. This previously unthinkable attitude allows retailers to broker partnerships not only with their suppliers and stakeholders, but also their competition, in order to provide what – long term – is best for the public.

How to build a strategy?

If disruption is set to reshape most sectors, what can incumbent businesses do about it?

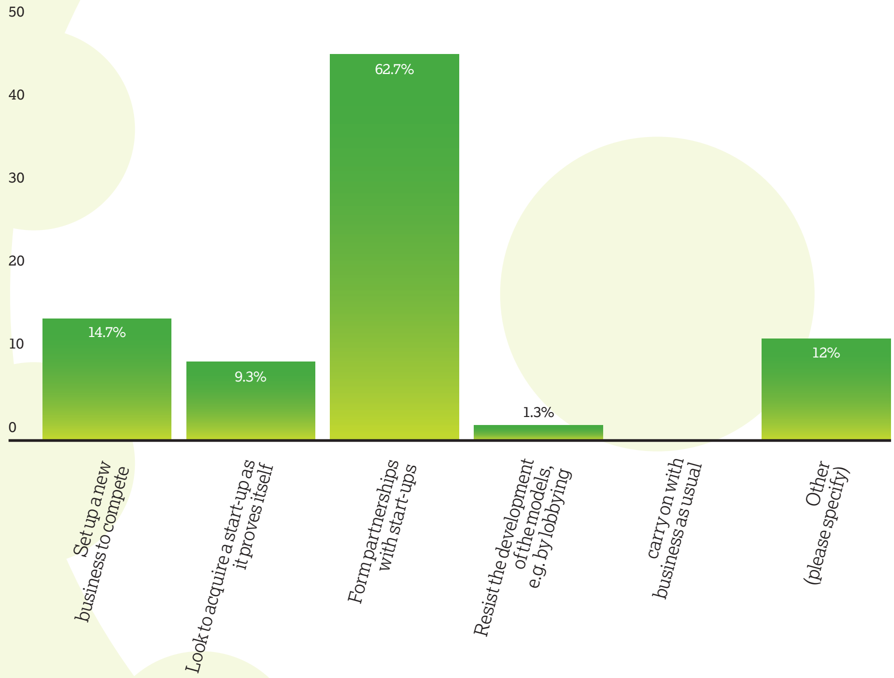
The crowd observed that large businesses typically struggle to respond to the threat of disruptive innovation for two main reasons:

- First, the market segments they serve are not initially profitable enough to prioritise
- Second, the status quo is plenty competitive enough. Established leaders are therefore naturally preoccupied with improving their game, not fundamentally changing the rules.

So it's no surprise the most disruptive of these new business models – concepts that don't just improve upon existing technology but create entirely new markets – are being driven and defined by a set of relatively young companies that may be committed to disintermediating incumbent businesses.

So where does this leave large business when it comes to disruptive market innovation? We've collected the crowd's advice under four headings: understanding your position, thinking differently, building exposure, and enhancing success.

How should large businesses respond to these new business models?



How to build a strategy?

1. Understand your position

The critical first step is understanding where your current business model is in the context of change.

i) Better understand the company's current business model
In his blog, Phil Drew quoted Harvard Business School professor Clayton Christensen as saying that few companies understand their existing business model well enough – the premise behind its development, its interdependencies, its strengths and constraints. And as a result: "they don't know when they can leverage their core business and when success requires a new business model."

ii) Rethink what you're doing
Some of the companies who are making progress in experimenting with new business models started by rethinking what it is that they do. Food companies such as Nestlé, Unilever, and Danone are redefining themselves as health, wellness and nutrition companies. Technology companies such as Intel, IBM, and GE are repositioning themselves as enablers of smarter, more sustainable cities. And carmakers such as Nissan and Toyota are making low-emissions mobility part of their central mission.

iii) Work out your product history
Ramon Arratia argues in his blog that working out product history can generate the energy for new business models. Radical transparency allows the history of a product to be known, which influences consumer behaviour, facilitates closed loop, enables shorter supply-chains and fosters collaboration at scale.

2. Think differently

There are a number of ways that the crowd identified the pioneers of new business models as thinking differently from their peers, and from their past.

iv) Recognise that assets are underutilised
Many of the new business models play on the better utilisation of assets. This inspired Marriott Hotels partnering with LiquidSpace to offer on-demand shared work places in under used spaces in their hotels.

v) Create products for the new business models
Sam Stephen in his blog points out there is a business opportunity for retailers to focus on the enduring appeal and the robustness of their products. Perhaps, in the future, there is an opportunity to create a mark of quality and robustness.

How to build a strategy?

vi) Look for the emerging market opportunities

The crowd viewed emerging markets as an area where new models have a particular opportunity since incumbents, from a consumer standpoint, have less of a momentum behind the same model. Other opportunities, as Justin DeKoszmovszky identified during the plenary, could include remanufacturing products for sale to secondary markets.

vii) Lobby government

In his blog, Jonathan Porritt lay down a challenge that in order for these new business models, to take off, we need to think creatively about creating a different kind of pressure on government. Mike Barry responded to this in the panel. Why not, he asked, bring together the CEOs of all the progressive companies in any sector? They could analyse the current – largely unhelpful – impact of government, and put that analysis in the public domain and work with civil society organisations to influence ministers?

3. Build exposure to the new business models

There were three ways that companies are building exposure to the new business models.

viii) Build a new team

It is always going to be difficult to ask those who have honed existing business models to develop a new business model. The crowd drew parallels with when Tata Motors set out to create the world's cheapest car, the Nano, it hired a new team of young engineers who would be unconstrained in their approach by the carmaker's existing profit formulas.

ix) Buy a new business model

Some argue that these new business models are best developed by start-ups, and that large corporates should wait until new business models are proven. This may not be a low risk strategy, as there is no guarantee that you will be the successful bidder, nor that the price will be attractive. In January 2013, Avis purchased the pay-as-you-drive service Zipcar for $500 million, the largest acquisition to date in the peer-to-peer market place.

x) Form partnerships

The event survey showed that large organisations have a preference for partnering with new business model proponents. In the panel discussion, Sally Uren qualified this by arguing that large organisations should see themselves as "scalers", capable of using their infrastructure to shift demand down new avenues and bringing these ideas to scale. The 'tomorrow's energy company' roundtable agreed that collaboration between the 'big 6' and smaller initiatives, such as community energy schemes, would be a productive development.

How to build a strategy?

4. Enhancing success

xi) Embrace failure
In her blog, Sally Uren highlights the importance of experimenting with new models. Similarly, Mike Barry argues that businesses shouldn't 'bet the farm' on trying to predict which disruptive business model will be the winner, but invest in a number of initiatives and fail (or succeed!) fast and move on.

xii) Incentivise different consumption patterns
Telling people to recycle clothing doesn't work. But as Marks and Spencer has shown with Shwopping, if you give customers a financial incentivise and with Joanna Lumley as the front person, behaviour starts to change. Over 5,500 tonnes of clothing, or the equivalent to 20 jumbo jets, have been donated to Oxfam by Marks and Spencer since it launched Shwopping in May 2012.

xiii) Recognise residual value
Patagonia partnered with eBay to encourage customers to buy used items and sell what they don't need; B&Q's Streetclub.com connects communities to share tools. According to Patagonia, the eBay partnership opens up their brand to people who couldn't afford to buy their products new, a market they wouldn't otherwise have had.

Thank you

The quality of the crowd's wisdom comes down to their collective knowledge, and their willingness to share that knowledge. We applaud the crowd on both counts.

The Crowd would like to thank the following companies for sponsoring the Crowdsourced New Business Models event:

Main sponsor: EY

Major Sponsors: Bank of America Merrill Lynch, Utilyx

Specialist Sponsors: B & E.S, Carbon Credentials, Context, ERM, Trucost

Support Sponsors: Acre Resources, RES Advisory

Crowdsourcing & Reporting Partner: Fishburn

3M
AB Agri Ltd
Accenture
Acre Resources
ADEC-Group
Alison Ward Consultancy
Arup Associates
Aviva
Aviva Investors
B&ES
B&Q
Bank of America Merrill Lynch
Barclays
Baringa Partners
BBC
Bioregional Development Group
Birmingham Airport
BITC
BlaBlaCar
BMW Group UK
Brighton & Hove City Council
British Gas
BrownFlynn
BSD Germany
BUPA
Business In The Community
Cabinet Office
Canon Europe Ltd
Capita
Capita Property and Infrastructure
Carbon Credentials
Carbon Trust
CH2M
Citi
CJW Consultants
Clearly So
Coca-Cola
Coca-Cola Enterprises
College of Agriculture Food and Rural Enterprise
Context
Context Group Ltd
Cool Earth
Co-operative Group
Costain Group Plc
DECC (Department for Energy & Climate Change)
DEFRA
DeLalaval International AB
Deutsche Bank
Diageo
Domino Printing UK Plc
Doughty Centre for Corporate Responsibility
Downing LLP
Dragon Rouge
eco action games
Edelman
EDF Energy
EE
Elsie Creative Ltd
Elvis & Kresse
Energise Barnet
ERM
Evolve 1st
EY
Fairtrade Foundation
Family Wealth Mediation
FarmDrop
Fishburn Hedges
Fisher Productions
Forum for the Future
Freelance
Futerra Sustainability Communications
Global Action Plan
Good Measures Limited
Green.tv
Greenredeem
Grezo & Co
Hampshire County Council
Henderson Global Investors
Herbert Smith LLP
Hill & Knowlton
Historic Futures
HSBC
IBM
IGD
IIRC
Imperial College London
Interface
Interserve FM Ltd
Intertek Sustainability Solutions
Jaguar Land Rover
Jaguar Land Rover
Jericho Chambers
John Lewis Partnership
Kaleidoscope Futures
kier
Kingfisher plc
Landmarc support services
LIW Leadership
Lloyds Banking Group
Lloyds TSB
Marks & Spencer
McDonalds
Megacon AS
MITIE
MJ Mapp
Morgan Sindall Plc
Nabarro
Nestle
Novartis International AG
Ofgem
Palace Ventures
Palletsock Ltd
Penny Shepherd Associates
People Who Share
PUMA
Purpose
RBS
Recyclebank
Red Letter Design
Repowering
RES
RES Group
Responsible 100
Royal Bank of Scotland
Royal Mail Group
RSPB
Rupert
Sainsbury's
Seacourt Ltd
SGS
Skanska
Sky
Smith School of Enterprise & Environment
Streetbank
SustainAbility
Telos Partners
Tesco
Tesco.com
The Body Shop
The Do Nation
The Marketing Society
The National Trust
The People's Pub Partnership
The Prince's Accounting for Sustainability Project (A4S)
TMF Group
TR Polymers Group
Trillion Fund
Triodos Bank
Trucost
UK Green Building Council
Unilever
Unilever
United Business Media (UBM)
University of Cambridge
Utilyx
Values & Visions (CSR Asia Europe Office)
Vodafone
Volans
Waitrose Ltd
WHEB Asset Management
WindMade asbl
WRAP
WWF
Zipcar
Zopa

Blogs and roundtables

1. Technology
2. The New Consumer (A)
3. The New Consumer (B)
4. Tomorrow's Energy Company
5. Tomorrow's Bank
6. Tomorrow's Retailer
7. Business Transparency
8. Product Transparency
9. Natural Capital
10. Residual Value
11. Access Over Ownership
12. The Rise Of Peer To Peer
13. New Supply Chains

Author	Organisation	Topic
Mike Barry	Marks and Spencer	New disruptive B2C business models
Seb Beloe	WHEB Asset Management	D.R.E.A.M.I.N.G of collaborative consumption
Dax Lovegrove	WWF	Coping with and driving inevitable disruption
Sam Stephens	Streetbank	Peer to peer is here
Benita Matofska	People Who Share	The Business of Sharing: Why Corporates Want a Piece of the Sharing Economy
Tim Wilson	Historic Futures	Do you know your product history?
Phil Drew	Fishburn	How can big business embrace the dynamics of disruptive innovation?
Robert Phillips	Jericho Chambers	The Crowded Space of Trust
Justin DeKoszmovszky	Puma	First steps to closing the loop
Paul Monaghan	Co-op Energy	The fragmenting energy landscape
Dan Hid	Triodos Bank	Social Impact Bonds – a very new business model
Hermione Taylor	The Do Nation	I didn't mean to be disruptive
Vanina Schick	BlaBlaCar	BlaBlaCar: sharing value
Ilana Taub	Imperial College	Understanding disruption is hard, disrupting is even harder
Ramon Arratia	Interface	How mandatory transparency shifted consumer decision making and product innovation in the motor industry
Sally Uren	Forum for the Future	Why it would be wise to experiment with new business models today, not tomorrow
Richard Swannell	WRAP	New business models – a leap of faith or a step in the right direction?
Jonathon Porritt	Forum for the Future	Disabling Governments
Joe Frances	Coca Cola Enterprises	Innovation, collaboration and technology key to sustainability business growth
Agamemnon Otero	Repowering & Brixton Energy	The answers right under our nose
Paul King	UK Green Building Council	Survival of the fittest in the project to Build Britain 2050
Mike Barry	Marks and Spencer	Disruptive Biz Model Response

About us

This pioneering use of crowdsourcing is the product of an innovative partnership between The Crowd and Fishburn

About The Crowd

We believe we are entering an era where businesses solve social and environmental problems as a way of doing business, where companies that connect with society are more valuable. Our mission is to accelerate that journey, and help companies find value through solving society's problems.

Working alongside many great organisations with similar aims, we see our role as pushing the boundaries of knowledge sharing. All of our energies go into developing formats that take the friction out of collaboration.

Our activities include;

- Events such as our monthly Forum, which has met 65 times since it was founded in 2008, with over 10,000 passing through the doors
- Innovative knowledge sharing formats, such as Going Naked, The Changemaker series and Idea Idol.
- Sharing the latest trends in leadership through speakers such as Ronan Dunne (CEO, O2) , Justin King (CEO, Sainsbury's), Jochen Zeitz (Chairman, Puma) and Ian Cheshire (CEO, Kingfisher).

THE CROWD

About Fishburn

Fishburn is a dynamic communications agency specialising in corporate and consumer communications, branding and design.

We are part of the worldwide BBDO network and Omnicom Group. We work with some of the world's biggest brands and are considered experts in Reputation Management, Social Media, Public Affairs, Sustainable Business Communications, Corporate Reporting and Employee Engagement.

We work across issues, across channels and across disciplines. This means we're uniquely placed when it comes to bringing together the best people to solve complex communications challenges that demand integrated answers.

Our approach also means we have the advantage when it comes to communicating sustainability and corporate responsibility. Whether engaging specialist stakeholders or general consumers, promoting leadership or protecting reputations, devising strategy or reporting progress, we help clients to create and shape tomorrow's conversations, globally and in the UK.

FISHBURN™