

THE IMPORTANCE OF DIGITAL BUSINESS MODELS APPLICATION

Today, the most successful modern brands are more often used to adopt new technologies, which give them a chance to overview the way they run business and improve efficiency.

The new generation of technology, such as an artificial intelligence (AI), can fundamentally change the means of achieving goals, when it concerns customers. AI uses programs, e.g. chatbots that helps to answer a question and give specific information by giving a response to users. AI can even recognize and provide a variety of instant answers to the same question, using the desired voice and tone [1].

This type of innovation can be included in the so-called digital business model – a form of value creation based on the development of customer benefits with the help of digital technology. It is worth noting that its use increases not only the profit of a company, but also helps to determine its sustainability in the modern world, because the traditional business models are being destroyed by the digital ones.

Also companies tend to use software as a mean to upgrade their business models, but this usually leads to only minor improvements.

For example, all large-scale manufacturers of the home appliances industry equip their products with an Internet connection. Most of them have an app that accompanies refrigerators, air conditioners and washing machines. However, this is only a small advantage. «The digital business model has a revolutionary perspective that goes far beyond connectivity features or marketing channels to existing products. The main point of this business model is that the new ways of making profit are generated by the new users, new products and new markets» [2]. But at the same time it maintains the protection by the impossibility of copying.


Let's study functioning of the business models' system on the example of the legendary corporation Apple.

Apple is a hardware business. A large percentage of its profit comes from the sale of products such as phones, TVs, computers, watches, accessories and so on. Each of these products has its own operating system: macOS, watchOS, iOS, etc.

iOS is a software platform that brings together a large number of entities: users, operators, accessory manufacturers and, of course, application developers. iOS interacts with each other in a separate clear scheme. A premium product is offered for a premium price to users. An access to higher-income users is proposed to operators. A rich user base in exchange for a wide-ranging accessories and a shared revenue from the accessories' sale are offered to accessories manufacturers. A rich database of more than billion devices sold, for which they can build apps, are offered to application developers.

Accordingly, the iOS platform demonstrates the network effects. The more users are attracted to the platform, the more developers are needed to create apps, and therefore, the more users will be involved to these applications. These network effects increase the demand for Apple hardware products.

Now let's study how the value for customers is created, delivered, captured and defended. The comparison of the both traditional business model of Apple and the digital one, where network effects are used to drive demand to its core business, was made by Lund University professors [2]:

	CREATE	DELIVER	CAPTURE	DEFEND
Traditional	Unique products	Devices own apps	Hardware sales	Brand
Digital	Millions of apps	3rd party apps and accessories	Hardware sales	Developer ecosystem

«Firstly, Apple creates value by offering the unique design of phones and tablets. Digitally, it creates value that helps users to exploit the device to meet different needs from booking a bus ticket to playing SubwaySurf. This became possible due to many apps created by the outside software developers.

Secondly, Apple delivers this value through the device itself, and its own applications such as Apple Music and GarageBand. In the digital form, the value is delivered through the outside applications and accessories.

Thirdly, Apple captures value directly through the sale of devices. The percentage of shared revenue from music applications and accessories is more than recoups costs.

Finally, Apple defends its business model with its own brand and unique integration of hardware, software and accessories. Digitally, it protects value through the developer ecosystem that is locked by Apple products, both in terms of distribution and delivery of applications. Apple's business model is almost impossible to copy, not because of the brand, but because of the combined networking effects between users, developers, operators and accessory manufacturers, which have led to a multimillion-dollar offer. This also means that Apple apps cannot be run and distributed on devices other than Apple» [2].

So, such digital transformations are not only the introduction of new software, technologies and processes, which are more efficient and automated than traditional one. It is a completely new, innovative way to do something that can become a background of the business.

This means that organizations need to consider everything, taking into account the digital transformation initiative. It includes the way from how people will respond to changes, how it will affect customer relationships, costs, how it will meet business goals, and so on. Digital transformations give companies the opportunity to move their business into the future and to withstand competition and develop in new areas.

REFERENCES

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