

## Is your business model resilient against disruptions?

Financial statements and internal controls are audited regularly, but when was the last time you audited your business model?

# Megatrends shaping the future of businesses

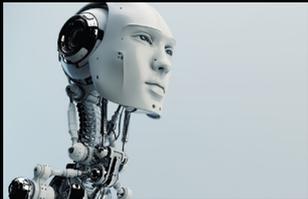
## Industry 4.0



**The Internet of Things:** Several technology macro trends are accelerating growth in the IoT Space. This has allowed for continuous data monitoring, data capture using sensors, improved data analytics and the development of business strategies.



**Cloud Computing:** Cloud combines virtualisation, automation and IT Service Management Capabilities to revolutionise a company's business operations, making them better, cheaper and faster.



**Artificial Intelligence:** Intelligent machines and software are capable of learning, understanding complex problems, and devising solutions. Automation will change talent needs and overturn existing trade-offs between speed, cost and efficiency.

## Customer Centricity

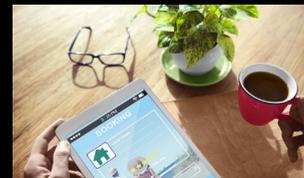


Businesses must design their products, services and processes from the outside-in, starting with the end user in mind. They must understand their users deeply – who they are, their needs and values, in order to create and capture sustainable value.

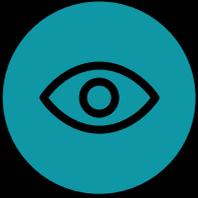


**Blockchain:** A decentralised and distributed ledger of transactions allowing collective bookkeeping in an immutable ledger. Intermediaries and record keeping will facilitate the transfer of assets and create trust.

## Sharing Economy



The phenomenon has allowed for individuals to be able to borrow or rent assets owned by someone else, through social and online transactions. Uber and Airbnb are prime examples of the sharing economy in action.



## Identify your Key Business Model Components and Decisions

### **What decisions are made?**

Companies have to decide on whether they would like to offer a narrow or wide selection of products, and what market its products serve, which affects which decisions need to be made operationally.

### **When decisions are made?**

Postponing key decisions until better information can be obtained can help to reduce inefficiencies in making these decisions.

### **Who makes the decisions?**

Changing who makes decisions in the value chain can lead to alignment of incentives and lower inefficiencies.

### **Why decisions are made?**

Companies can change the profit or revenue streams to align incentives. The shift to performance-based contracting often eliminates perverse incentives.



## Map out and Identify all Information and Incentive-alignment Risks stifling Innovation

### **Information Risks**

Businesses have to make decisions long before they have adequate information to make them with confidence. As a result, products fail to timely meet the needs of users (e.g. Volatile demand and preferences).

### **Incentive-alignment Risks**

Businesses often make decisions based on self-interest rather than what best contributes to the value chain. This can result in a clash of incentives (e.g. Cutting corners for cost reduction).



# Breaking the Rules and Changing the Game through Innovation



**From Traditional Taxis to E-hailing**  
**How can we combat the apparent risks in the Taxi Industry?**



## Information Risks

**WHAT**  
What risks do Taxi services face?

- Limited vehicle types and passenger capacity

**WHEN**  
Can the demand for Taxis be anticipated?

- Risk of inaccurate capacity forecast years before actual demand materializes

**WHO**  
How are drivers & passengers affected?

- Risk of volatile demand for Taxi services

**WHY**  
What additional value can be added to Taxi services?

- Spare capacity in roaming Taxis
- Passengers have long waiting times

## Incentive alignment Risks

- Taxi industry authority regulations

- Timely arrivals are a challenge
- Lack of drivers during peak periods

- Drivers, passengers and the Taxi company are not incentivized to absorb the low demand

- Pre-set meter and inflexible pricing
- Driver credibility
- User safety
- Low price increments during peak seasons

## Harnessing Megatrend Opportunities to Reinvent the Business Model

- Prototyping and test runs
- Expanding the types of services and vehicles
- Deregulation of the industry

- Harnessing megatrends to create an application platform to match real-time supply and demand
- Anyone can be a driver and capacity can be adjusted when demand surges

- Market forces of supply and demand determine fare rates
- Surge pricing
- Drivers have to pay for their own vehicle maintenance, fuel and other operating expenses

- Real-time geo location updates
- Pre-driver assessments and tests
- Cashless process
- Post-trip fare adjustments

The Business Model Audit Framework is a collaboration between Deloitte Risk Advisory and Prof. Serguei Netessine, professor of Technology and Innovation at INSEAD, and co-author of 'The Risk-driven Business Model', Harvard Business Press 2014. Companies which have benefited from the BMA include many multi-national corporations.

Combining the real-life, practical and research rich capabilities of both Deloitte Risk Advisory and Professor Serguei Netessine of INSEAD, participants can look forward to unlocking the value of innovation in this week long, Business Model Audit program.

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