

Embrace Business Model Innovation



How quickly can your company spin up a new business model? It's an important question that can impact a company's valuation. According to a [McKinsey & Company survey](#), new businesses launched in the last five years account for 12 percent of their companies' revenues—and 21 percent of their enterprise value. In other words, every dollar of revenue from a new business created nearly twice as much value as a dollar of revenue from the core business.

Companies that invested in new business models were twice as likely to report growth rates of more than 10 percent above the market average. And they continue to outpace the market even in volatile economic times. It turns out that embracing new business is good business.

The number of innovations is as endless as the number of companies and ideas. Some examples of new business models include:

- Creating a new product
- Offering a new service
- Updating or repurposing an existing product
- Adding subscription services to an existing product, for example, offering fitness classes with exercise equipment
- Expanding into new markets
- Selling via new channels
- Spinning off a specialized company

Even B2B companies, such as airplane manufacturers, are turning to new ways of doing business. Instead of selling jet engines, they're embedding software into them, monitoring the engines continuously via Internet of Things (IoT) sensors, and scheduling maintenance in advance—all for an “as-a-service” subscription fee.



Challenges to launching new business models

Yet, launching a new business model isn't always easy. Some of the challenges include:

- Complex business processes that cut across applications, such as quote-to-cash and subscription management
- Disconnected technology underpinnings
- Outdated systems

For these reasons and more, many companies find it difficult to innovate. In fact, McKinsey found that [a mere 6 percent of CEOs were satisfied with their company's innovation efforts](#). One of the top reasons given is that “companies too often follow a traditional, siloed approach that creates blind spots, handoff issues, and inefficiencies. All these scenarios have a significant impact on product revenue, profitability, and ROI.”



Having pioneered office technology more than a century ago, Xerox wanted to embrace new business models in a big way. The company created an incubation center for “high-impact businesses that solve real-world problems at massive scale,” according to Naresh Shanker, senior vice president and chief technology officer. Xerox doesn't want to be slowed down by legacy IT systems. It needs speed.

To fast-track new businesses, Xerox relies on a connected set of Oracle Cloud solutions, including an online storefront, finance, accounting, budgeting, financial planning, and an integrated cloud infrastructure underpinning it all. “This avoids the headaches of too many vendors and platforms,” says Sreedhar Vaidyanathan, vice president of digital transformation. “Oracle's solutions make it simple for our new businesses to roll up to the mother ship and vice versa. It's easy to track performance.”

Now, Xerox can launch a new venture in a matter of weeks and start transactions right out of the gate. “There's no waiting to generate invoices and start collecting revenue, and we're able to scale as much as needed,” Vaidyanathan says. “We can replicate this process for any new venture. We don't have to implement a different platform every time we launch.”

[Learn more about the Xerox story.](#)

New business models demand better customer relationships

The delivery of a finished product used to be a “sell it and forget it” interaction with your customers. Now it’s just the start of a long-lasting relationship. The shift to new business models, such as product-as-a-service, pay-as-you-go, and anything-as-a-subscription, offers a better way to predict revenue, generate customer loyalty, and provide a steadier flow of aftermarket service work. But in a time when cash is limited, how do you know that your innovation investments will pay off?



The value of a unified innovation platform

One of the most effective ways to increase ROI is to have a unified platform that connects your customers, assets, and data. Consider investing in connected cloud applications that support business model innovation and cross-company collaboration, such as:

- **Finance:**
 - Planning and budgeting to model new scenarios and analyze the cost and profitability of new products, services, or lines of business.
 - Cost management tools to move capital expenses (CapEx) to operational expenses (OpEx), supporting a shift from physical to digital assets, such as subscription models.
 - Project management tools to track development of new products and services and keep projects on budget.
 - Revenue management tools to recognize and report annual recurring revenue in compliance with accounting standards.
 - Enterprise data management to control changes to general ledgers and charts of accounts.



- **Customer experience (CX):**

Cloud-based CX capabilities—including subscription management and configure, price, quote—to help revenue-generating teams launch subscription models, create professional quotes for complex products, simplify complex provisioning and entitlement scenarios, accurately bill customers based on usage, and provide self-service tools so customers can manage their accounts online.

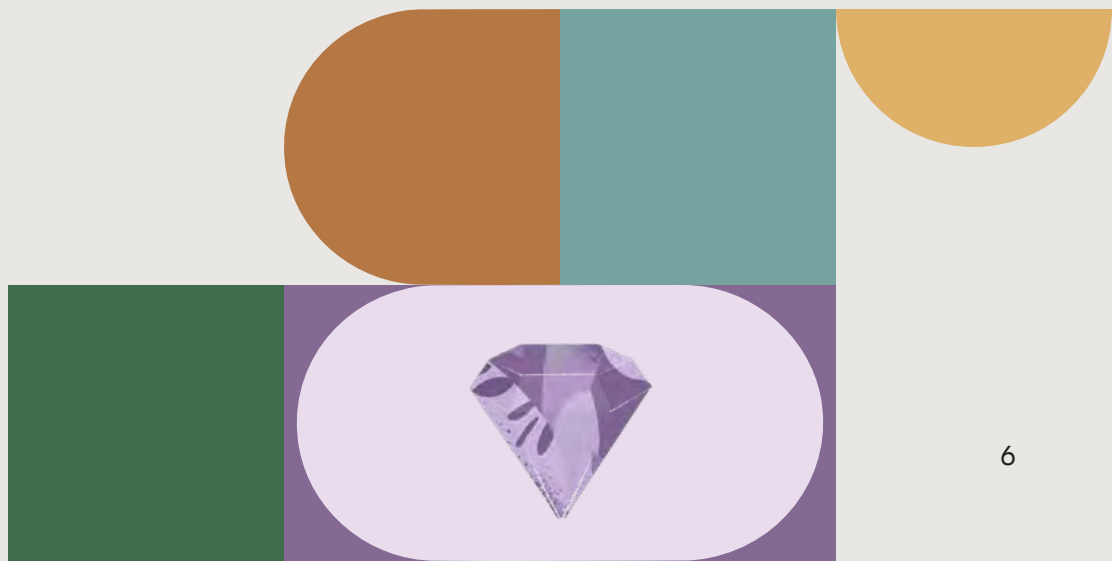
- **Supply chain:**

- Cloud order management to optimize omnichannel commerce and fulfillment, coordinate complex order orchestration, and fulfill mixed orders that combine tangible goods, subscriptions, and warranty coverages.
- Order management capabilities within subscription management to help reduce the number of integration points across applications and centralize rules for orchestrating fulfillment across all systems, including subscriptions, supply chain, and financials.
- Cloud-based product lifecycle management solutions to help operations teams rapidly design and launch new products, and IoT solutions to improve existing products by collecting data from connected devices.

- **Human resources:**

- Cloud human capital management to help recruiters hire the right talent for new roles, such as engineers or data scientists.

A unified innovation platform gives you a complete view of your business and helps you monetize in new ways. It creates a strong, scalable foundation to launch new business, incorporating feedback from customers and connected assets in the field. Collecting and analyzing feedback from anywhere is vital to creating a cycle of continuous improvement.



How Oracle can help

A suite of tightly integrated applications makes it easy for data to move from one system to another, or even from one subsidiary to another. Oracle Fusion Cloud Applications are built on a common data model, so the data sharing is seamless. Importantly, using our standardized applications, you can develop a quick, repeatable process for launching new business. Oracle's cross-pillar capabilities include:

- **Scenario planning:** Run scenarios to see how the proposed new business will impact resources, budget, revenue, etc.
- **Profitability and cost management:** Analyze new products and services for profitability and ROI.
- **Project management:** Track development of new products and services, find and assign the right resources to the project, and keep the project on budget.
- **Configure, price, quote:** Quickly configure and price complex products.
- **Subscription management:** Launch, manage, and optimize your subscription and renewal businesses while accurately billing for them.
- **Order management:** Orchestrate and fulfill complex orders to enable faster time-to-market for new business models, such as omnichannel, direct-to-consumer, and subscription.
- **Product lifecycle management:** Source ideas from your employees, develop and commercialize the product/service, configure for sale, and spot potential improvements.
- **Human capital management:** Hire the right talent for ongoing innovation roles (developers, engineers, project managers, finance managers, etc.).
- **Enterprise data management:** Manage changes to ledgers and charts of accounts across systems.
- **Analytics:** Bring together data from across our applications to answer key questions about business performance.
- **IoT:** Collect data from connected devices to improve existing products.
- **Oracle Cloud Infrastructure** including our Autonomous Database, integration, development tools, compute, storage, security, and more.

Getting started

With Oracle Cloud Applications and Oracle Cloud Infrastructure, you get a common platform for innovation across all your teams, lines of business, and entities. Finance, HR, revenue-generating teams (sales, product, and marketing), and supply chain leaders can work together to quickly spin up new businesses, launching new products and services that create lasting customer relationships—and the recurring revenue that comes with them.

For more information about how Oracle Cloud Applications can help you innovate and compete, visit [our website](#).

Want to learn more? [Contact us](#).

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