CTM RESEARCH BRIEF

The VISOR Framework

Business Model Definition for New Marketspaces in the Networked Digital Industry

Version 2
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CTM (Center for Telecom Management) is an industry-sponsored center at the University of Southern California’s Marshall School of Business, devoted to research and education to help the networked digital industry and its customers grow and prosper. It is located on the USC campus in Los Angeles.

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While there is much talk about the value of business models\(^1\), surprisingly little systematic conception and agreement exists on what a business model is whether in academic, consulting, or corporate practice circles\(^2\). In new marketspaces with new products and services, new partners, and new IT-based delivery platforms, the search for viable business models is a critical activity. That is the case in the Networked Digital Industry. It is therefore especially important to better articulate and define the elements of a business model and their interactions in order to be able to (i) get a common language and framework that can be used to have intelligent conversations; (ii) use the framework to assess the viability of new business propositions; and (iii) understand the multiple elements that have to be in place for a business model to be successful in a business ecosystem niche.

This research brief outlines CTM’s effort to build such a framework for the Networked Digital Industry (NDI) which we have named the VISOR framework (Value, Interface, Service platform, Organizing, Revenue/costs). We found that IT-Intensive business models in NDI can be systematically articulated and operationalized through these five interacting components:

1. **Value**

*Value Proposition for Targeted Customer Segment:* This proposition is usually accompanied by a good story about why particular customer segments would value an enterprise’s products and services and be willing to pay a premium price for them.

2. **Interface**

*“Wow” Interface Experience:* The success of delivery of a product or service is heavily predicated on the user interface experience in terms of ease of use, simplicity, convenience, and positive energy that it generates. A great value proposition with a rickety user interface experience is not viable, and similarly a great user interface can significantly alter the value proposition.

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3. **Service Platform**

**Service Platforms to Enable Delivery:** These IT platforms enable, shape, and support the business processes and relationships that are needed to deliver the products and services, as well as improve the value proposition. Enabling service platforms becomes an increasingly critical component in IT-intensive environments. In the NDI, the commonality of platforms across partners joining to deliver a service is a critical enabler.

4. **Organizing Model**

**Organizing Model for Processes and Relationships:** This model describes how an enterprise or a set of partners will organize business processes, value chains, and partner relationships to effectively and efficiently deliver products and services.

5. **Revenue/Cost Sharing**

**Revenue/Cost Model Calculations for All Partners:** In a good business model, the combination of the value proposition, the way that offerings are delivered, and the investments in IT platforms are such that revenues exceed costs. Furthermore, if there are many partnering organizations involved, then the revenue agreement should be attractive to all partners. Finally, the risk of errors in forecasted revenues and costs should be manageable, and the revenue/cost margin robust.

Managing an IT-intensive business model brings with it benefits, costs, opportunities, and risks. On the one hand it provides new ways of improving value propositions for attracting customers through IT-enabled business processes and information exchange, and it provides new ways of organizing electronic channels with partners. It can also reduce operational costs and improve response times, as well as enhance decision making and business transaction processing. However, it also comes with its implementation perils, business process change, IT application development and reorganization stress.
Articulating IT-Intensive Business Models

Value Proposition for Targeted Customer Segment

Revenue/Cost Model Calculations for All Partners

The VISOR Framework for NDI Business Models

“Wow” Interface Experience

Organizing Model for Processes & Relationships

Service Platforms to Enable Delivery

VISOR Model Rev 2