Center for Strategy & Leadership

19. Digital Product Model Dial

*How can digitalization be used to innovate my products/services?*

Key Definitions

A *value proposition* is a bundle of attractive attributes that an organization offers to entice people to become its customers. Every value proposition consists of a core product and/or service, that is distributed and paid for in a way that customers find appealing.

Digital technologies can be employed to innovate, or even transform, value propositions by changing the nature of the product/service (the *product model*), the way they are distributed (the *distribution model*) and the manner by which they are paid (the *revenue model*).

Conceptual Model

The *Digital Product Model Dial* is one of the three dials (see below right) that can be turned to create an innovative value proposition. The Digital Revenue Model Dial was discussed in Meyer's Management Models #4 and the Digital Distribution Model Dial is explored as #20. The Digital Product Model Dial suggests that there is no fixed set of product models from which to choose, but that products and/or services can be reinvented along four different dimensions, separately or at the same time. Each dimension has been formulated as a question, with several common examples mentioned as options to consider.

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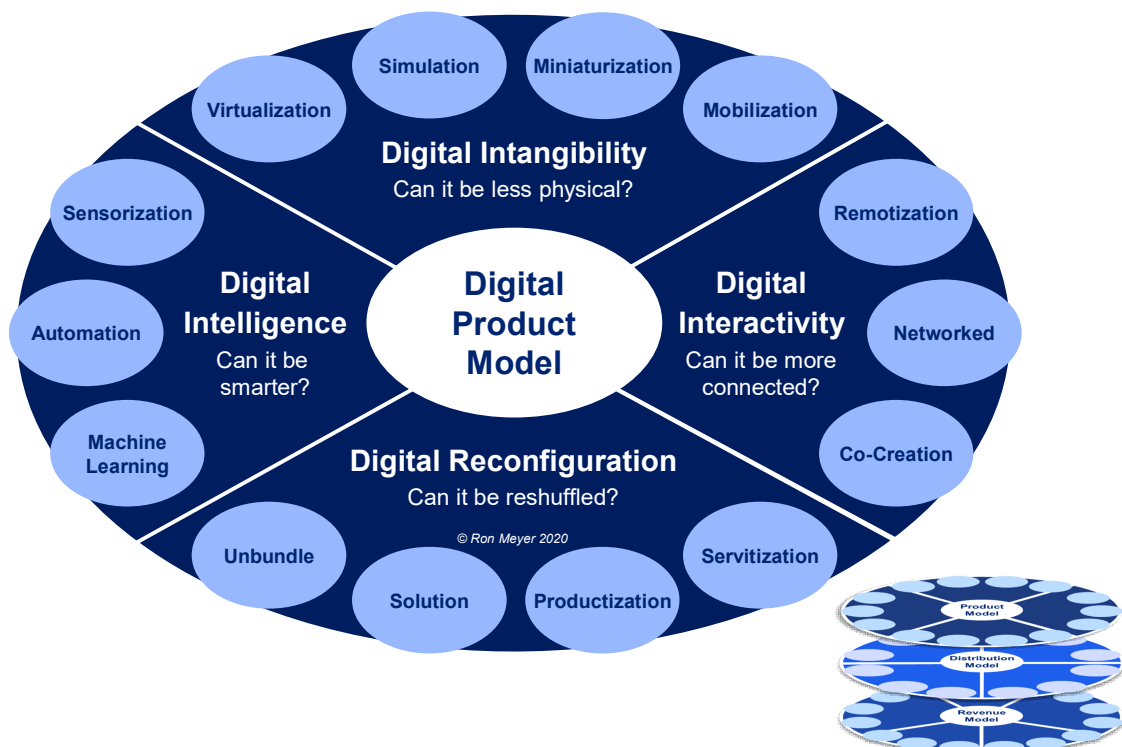
Key Elements

The four dimensions along which digital product model innovation can be sought are:

1. **Digital Intangibility**. Digital technology transforms tangible objects and behaviors into coded streams of ones and zeros, freeing products/services from the constraints of needing to be concrete, big, and/or fixed. Can your product be made less physical? E.g.:

a. *Virtualization.* Made entirely intangible, like a digital compass or digital photos?
b. *Simulation*. Turned into a digital model, such as a flight simulator or digital twin?
c. *Miniaturization.* Shrunk in size, like a digital camera or movement sensor?
d. *Mobilization*. Made portable, such as a Bluetooth speaker or projector?

2. **Digital Interactivity**. Digital technology facilitates real-time communication that is easy and interactive, allowing for ongoing cooperation between parties, devices and/or programs, irrespective of distance. Can your product be made more connected? E.g.:

a. *Remotization.* Made to work at a distance, like online surgery or remote monitoring?
b. *Networked.* Made to work together with others, such as taxi booking or online dating?
c. *Co-Creation.* Made together with others, such as customized shoes or joint wikis?

3. **Digital Intelligence.** Digital technology uses data and algorithms to do calculations and make decisions, thus adding intelligence to products/services and supporting and/or replacing human thinking. Can your product be made smarter? E.g.:

a. *Sensorization.* Made to collect data itself, like smart meters and activity trackers?
b. *Automation*. Made to decide itself, like autonomous vehicles or automated answering?
c. *Machine Learning*. Made to learn itself, such as facial recognition or recommendation systems?

4. **Digital Reconfiguration.** By enabling intangibility, interactivity and intelligence, digital technology allows for products/services to be taken apart into various components and/or put together in new ways. Can your product be reshuffled? E.g.:

a. *Unbundle.* Split up, like newspapers lost job search and classified ads?
b. *Solution.* Combined into a package, like smartphones absorbed cameras and diaries?
c. *Productization.* Turned into a product, like travel agency services have become apps?
d. *Servitization.* Turned into a service, like cars are becoming Mobility-as-a-Service?

Key Insights

- ***Digitalization allows for value proposition innovation***. The ongoing development and dispersion of digital technologies facilitates the introduction of new value propositions into the market. The biggest potential impact is on the nature of the core product and/or service being offered (the *product model*), the way the product is offered to the customer (the *distribution model*) and the manner in which it is paid for (the *revenue model*).

- ***Digital product innovation can be found along four dimensions***. There is no fixed set of digital product models from which innovators can select, but there are four dimensions along which innovators can hunt for possibilities: The product can be made less physical (*digital intangibility*), less disconnected (*digital interactivity*), less dumb (*digital intelligence*) and it can be reshuffled (*digital reconfiguration*).

- ***Digital product innovation dimensions have many options***. Along each of these four dimensions there are many ways in which products can be innovated. Here only some common examples have been given, but many others can be found.

- ***Digital product innovations often combine options on different dimensions***. The innovativeness of new products/services is often enhanced by being novel on more than one dimension at the same time.

- ***Digital business model innovation requires additional steps***. Having an innovative digital product model is often combined with an innovative distribution and revenue model to create an innovative value proposition. This in turn needs to be linked to a supporting activity system and resource base to become a fully developed new business model.

Meyer's Management Models
Insightful Tools to Kickstart Your Thinking

Publication Schedule

July 2019	*Mind the Gap Model*	*Change Management*
August 2019	*Digital Platform Map*	*Digital Strategy*
September 2019	*Interaction Pressure Gauge*	*Interpersonal Interaction*
October 2019	*Revenue Model Framework*	*Revenue Model Typology*
November 2019	*House of Engagement*	*Organizational Engagement*
December 2019	*Confidence Quotient*	*Trust Building*
January 2020	*Competition Tornado*	*Competitive Strategy*
February 2020	*11C Synergy Model*	*Corporate Synergy Management*
March 2020	*Leadership Fairness Model*	*Leader-Follower Interaction*
April 2020	*Strategic Agility Model*	*Strategy Process Approach*
May 2020	*Control Panel*	*Corporate Control Dimensions*
June 2020	*Rising Star Framework*	*Talent Management*
July 2020	*Strategy Development Cycle*	*Strategy Process Steps*
August 2020	*7I Roles of the Corporate Center*	*Corporate Organization*
September 2020	*Storytelling Scripts*	*Leadership Communication*
October 2020	*Strategic Bets Framework*	*Strategic Decision-Making*
November 2020	*Rebound Model of Resilience*	*Organizational Resilience*
December 2020	*4C Leadership Capabilities*	*Leadership Competences*
January 2021	*Digital Product Model Dial*	*Digital Strategy*
February 2021	Digital Distribution Model Dial	Digital Strategy
March 2021	Empowerment Cycle	Employee Empowerment
April 2021	Innovation Box	Innovation Approaches
May 2021	Team-Building Cycle	Team-Building Process
June 2021	Followership Cycle	Leader-Follower Interaction
July 2021	Partnership Distance Model	Interorganizational Relations
August 2021	Fruits & Nuts Matrix	Priority-Setting
September 2021	Deft Dialogue Model	Interpersonal Communication
October 2021	Strategy Hourglass	Strategy Process Timing
November 2021	Powerhouse Model	People & Organization Strategy
December 2021	New Pyramid Principle	Presentation Approaches
January 2022	Corporate Value Creation Model	Corporate Level Strategy