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INNOVATION SPACE OF THE BUSINESS MODELS

Richard BEDNAR*
Štefan SLÁVIK**

Abstract

The business model is a conceptual image of the operational part of the company. Methods of visualization are used for its formal description. The actual models are arranged into a typological concept that creates the prerequisites for the evaluation and examination of their potential for innovation. The innovation space of the business models has been studied based on an extensive sample of enterprises. The nature of the innovations of the business models, the limits of their innovation space and the tendencies of the development of the innovation space has been identified.

Keywords: business model, the visualization of the business model, the typology of the business models, innovation space of business models

JEL classification: M10, M21

1. INTRODUCTION

The business model is a conceptual and economical idea of the operations of the business and how it makes money. It is a simplified, but still a reasonable image of the company that describes the resources and processes, their transformation into the customer value and the methods of acquiring a part of the created value. According to Joan Magretta (2002) the business model is a story in its deepest essence that explains how the business works. A good business model according to his vision answers the age-old questions of the entrepreneur: Who is the customer? What does the customer consider to be valuable and useful? How is money in that business made? What is the economic logic that explains how to bring value (benefits) to customers at a reasonable cost? John Mullins and Randy Komisar (2010, p. 19) approach this subject explicitly from the position of the corporate economy and the idea of achieving earnings, who under the expression of business model see a certain structure of economic activity – cash flowing in and out of the business for various purposes, which sets whether the money is lost or made and the ability to offer attractive returns to investors. In brief, the business model is an economical underpinning of the company in all its aspects. Mark Johnson, Clayton Christensen and Henning Kagerman

* Faculty of Business Management, University of Economics in Bratislava, Slovakia; e-mail: richardpapa@gmail.com.

** Faculty of Business Management, University of Economics in Bratislava, Slovakia; e-mail: stefan.slavik@euba.sk.

(2008) do not try to define the business model explicitly, but their opinion is, that every successful business operates according to an effective business model. If the main parts of it are systematically identified than the top managers can understand how the model solves the satisfaction of the needs on the profit base while the key resources and key processes are used. With this understanding, they can assess whether the original model can be used to satisfy a radically different set of needs and what would they need to build a new model in order to make money on new opportunities.

Drivers of the growing interest in business models were mainly composed of the emergence of the knowledge economy, the expansion of internet and electronic commerce, outsourcing and offshoring of many business activities and the global restructuring of financial services. The way companies make money nowadays is different than the one used in the industrial era, where the main importance lay on the volume of production and the creation of the value was relatively simple. The company simply put their technology and their intellectual property into the product that was later sold as a single item or as a part of a whole complex. The main contributors to the evolution of this idea are driving forces such as globalization, deregulation and technological progress that profoundly interfere with the rules and practices of competition. Companies that grow the quickest in the rapidly changing environment are those that used their structural changes for the innovation of their business models, so they can compete in different ways.

Innovation of business models is usually enforced by the impact of the external changes, when the company is unable to offer the right value for the customer and so it can not make money, or the different offer of value for the customer is sufficiently attractive, but the expensive or less functional set of resources and processes does not allow the company to achieve a sufficient portion of the produced value. Proactive and anticipatory approach to the improvement of the functionality of the business model creates a strategic importance, as the model itself can become a source of the competitive advantage of the company. Recognizing the methods of business model development and its innovational opportunities for its improvement is an important contribution not only for the academic knowledge, but it also contains strong practical implications for a successful business.

2. DESCRIPTION OF THE BUSINESS MODELS

A functional and visual view of the business model is a good tool for a better understanding of how the business goes it can also be used as a tool to define its main purpose and the conditions for its existence. It is a transparent scheme, which can show the essential parts of the enterprise on a small space. Business models also allow for the enterprises to understand their weak areas, those with poor efficiency and economy while allowing to look for the exceptional elements and links. Visualization can be used for innovation, experimentation, stimulation of creativity and creation of hypothesis and variants of the business models.

From the conceptual point of view we can distinguish roughly three types of models. The first types are models that describe mostly the economical side of the business. They examine how and where profit is made, the most know representative of this type is the model by Mullins and Komisar (2010, p. 19). Business economy in a broader approach with overlap into business processes is the main idea of the second type of models by Afuah (2004, p. 2) (more processes) and Watson (2005, pp. 2-74) (less processes). Models of the second type are giving their priority towards the customer and they are represented by

Johnson, Christensen and Kagermann (2008) as well as Demil and Lecqo (2010), Zott and Amit (2010), Yunus, Moingeon and Lehmann-Ortega (2010), not forgetting the concept by Magretta (2002). The value-based part of the business is joined by the economy of the businesses and the business processes. The model by Osterwalder and Pigneur (2009, pp. 15-44) has a separate status, which combines the economy-value-process based view to a considerable extent. The value-based view cannot be omitted, or its position weakened, otherwise it cannot be understood how the customers buy the product, what are their motives and what do they appreciate about the product.

Alexander Osterwalder and Yves Pigneur (2009, pp. 15-44) together with other colleagues created a more complex concept of business model (pic. 1) called Canvas. The core of this type of business model are the customers, offered value, infrastructure and financial viability. This is the most complex model (Slávik, 2011) from the mentioned above. This model captures the economical view of the business through the streams of income and expenditure, records the areas where costs are created and revenues made. It also describes the value the business creates for the customer. However, the model does not only serve the purpose of describing the business but is also an instrument for its innovation. The method used allows effectively exploring specific businesses, defining specific business models and can be the base for the more general typologies for real business models. The main parts of the model are shown in Table 1.

Table no. 1 – Business model Canvas

Key partners	Key activities	Value propositions	Customer relationships	Customer segments
	Key resources		Channels	
Cost structure			Revenue streams	

1. **Customer segments** identify the most important customers, to make it clear whom the value is created. Customers are distinguished by their position of the market, either mass or segmented or specialized, or they are on diversified and multilateral markets.

2. **Value propositions** defines the customers needs and problems, the degree of their satisfaction, it takes the form of products and services for the different segments of customers.

3. **Channels** define how the business communicates with the segments and how it creates added value. It also evaluates their functionality, costs, and mutual integration with the customer.

4. **Customer relationships** show when compared to channels, the direct relationship between the business and the customer, that occurs in the sales process, e.g. personal assistance or self-service, e.g. in co-creation of the product by using the user community.

5. **Revenue streams** describe what value the customers are ready to buy, what they really pay for, how they pay for it and how each stream contributes to total sales.

6. **Key resources** are the most important resources that the model couldn't work without. Resources allow the business to create and offer value, infiltrate the market, maintain relationships and generate revenue.

7. **Key activities** are activities that transform the key resources in to value for the customer. For Microsoft and Apple it is development of software, for Dell its supply chain management and for McKinsey consulting it is problem solving.

8. **Key partners** are mostly the main suppliers or a network of suppliers. This part of the model defines the key resources and activities delivered by the partners.

9. **Cost structure** records the most important and biggest costs in the business model. It identifies the most costly key resources and key activities.

Osterwalder and Pigneur offer a visualization concept that is sufficiently practical with broad, but not limitless range of business activities which is quite often a proven tool for business analysis and analysis of business models. It will be used in this article primarily as a conceptual and analytical tool, so in the economical-process-value view of the business it will focus mainly on the processes and values.

3. REAL BUSINESS MODELS TYPOLOGY

Imagining methods and real models are not identical. Imagining methods display the same models in different ways. Imagining methods are generic, they do not replace a real model, as this is specific and thereby it can be unique and original. Typology of real business models allows for clear grouping of a large number of different models into smaller sets based on specific characteristics that are dominant for them. This typology will clarify and organize similar and different models and thus provide orientation in the complex set of models, it will generalize the perception of models and explain their different functionality in different groups. Classification of business models into groups and subgroups can also be the starting point for their innovation or formation of entirely new models.

A multilevel typology describes the business models that reflect the essence of the business and enterprise from its primary product (raw material) to the delivery of the final product or personal service to the end customer. This typology follows the line of the vertical integration with relatively closed models in different sectors of mining and quarry of raw materials, production, trade, and services.

The structure of the model will be determined by the extent of the vertical integration, which is restricted by the partial integration and full integration. The essence of the model aimed at mining and quarry of raw materials is to find the right way to extract the raw material, adjust it to the required purity, concentration and shape. The business model in production is aimed at the decision making whether to buy or produce the relevant part of the product, resp. decision on the extent of outsourcing or insourcing. In the sector of sales the business model deals with method of sales and delivery of the final product with the possibility of modifying its size, weight and packaging for the next retailer or end user. The models of wholesale and retail fill the space between the finished product and the end user. Business models of services represent a way to compile and provide added value in the form of standardized (postal services, mobile voice services), customized (software warranty, personal trainer at fitness center) and unique (legal actions, surgery) solution for the needs of the customer.

Cluster typology classifies real models based on the captured clusters that are typical for the models, as well as dominant and are different from other models (Slávik, 2012). Sets of five groups (clusters) of models were created. The base of the study were real business models described in the literature or identified in the own research observations. These clusters were subsequently aligned with the Canvas method:

A. Products and/versus solutions. Equivalent of this in the Canvas method is the proposed value for the customer. At the center of the business model are the products that act more as a way of solving customer problems rather than their material potential, or are composed of several related products, that can meet the needs of the customer only when in

synergy, or were previously unavailable, e.g. they were too expensive and in small quantities and they become available only in restricted range and large quantities.

B. Resources and processes. They are equivalent of key activities in the Canvas method. At the center of the business model are resources and processes, which are for the purpose of their better functioning, creation and realization of value outsourced, insourced, exchanged with other businesses, used more quickly when compared with other businesses, combined in different sequences and different qualities in the structure of the chain of value or are scattered or transferred to another businesses.

C. Retail. Equivalent of this in the Canvas method are the customer relationships, distribution channels. At the center of the business model lay the intermediate platforms and networks mainly based on informational and communicational technologies and internet, variants of unpaid sales and the simplification and diversification of sales of sold goods.

D. Communities. Equivalent of this in the Canvas method are key partners, customer segments. At the center we can find communities of customers, shareholders, contributors and users who by their participation in the community receive a benefit otherwise unavailable.

E. Prices and payments. Equivalent of this in the Canvas method are revenue streams, cost structure. At the center of the business model there are inconsistencies between the time of the sale of the product and the usage of the product and payment of the product, payment of the partial fees, movement of prices, linked prices of several products, modifications and substitution of sources of income.

The outlined typology is trying to present a coherent and consistent understanding of the real and operating business models. It explains under what principle these models work, what are their main characteristics and for what phase of the business they bring the most value and are more suitable. The outlined typology helps the innovation of the business models, because the classes of the models are at the center of the innovation process, from which they can spread easier or harder variants and innovations based on the principle of the operation of the different classes of models. With the support of the visualization schemes the identified typology can become a platform for the construction of new models or just models that are consistent with the terms of the business.

4. DEVELOPMENT OF BUSINESS MODELS

Finding a way to create value from innovation is the key element of the draft of a business model. The development of each new product should be associated with the development of a new business model that defines, how to enter the market and execute its value, so how to deliver the value to the customer and earn money from it at the same time. There are two extreme models of how an innovator can pursue value creation, resp. appropriate a part of the value from the innovation (Teece, 2010):

1. Integrated business model, in which the business controls the entire chain of values from design up to distribution.
2. Sale of licenses as opposed to internal commercialization, its success is contingent on strong intellectual property rights.
3. A hybrid solution of the above mentioned options.

As the history shows the inventors and innovators that can not offer significant value to the customer and set up proper business systems, so they can meet the required needs, quality and price, will usually fail, although the innovation is remarkable and will be

accepted by the customer. More is the innovation radical and difficult to organize, larger the changes to the traditional business model will have to be.

The industry life cycle and market development are important factors that influence the metamorphosis of the business model. In different stages of the life cycle the competitive base is changed. At first the businesses compete on the basis of functionality of the product or services. The customers pay for the parameters of the product and its main functions that satisfy their needs. If the customers are reasonably satisfied with the offered solution, they require higher quality and reliability. The product functionality became a necessary but not sufficient condition to encourage the customer to buy the product itself. The focus of innovation shifts from products to processes. The suppliers are improving, as well as production, customer relationships and quality control. After meeting the functionality and reliability standards, the competitive base is moving on and the customers are requiring faster, easier and more accurate satisfaction of their individual needs. The businesses compete on the basis of greater comfort and customization for customers. Finally, when they run out of the three above mentioned steps of innovations, the market evolves into its commodity principle and businesses compete primarily on the basis of the costs. M. W. Johnson states that „when the competitive base moves to increase convenience for customers and reducing costs, further innovations relate to the business model. At this stage the businesses often find themselves on the edge of their current business models and they need to embark on their innovation“ (Johnson, 2010, p. 57). As an example, a furniture maker IKEA, offers fashionable furniture, yet relatively inexpensive furniture especially for young people. This way, durable goods became a not really difficult short term investment. Customer value added is strengthened by the convenience of logistics, which allows the customer to purchase dismantled and well-packaged furniture.

M. W. Johnson identifies this space for the creation of new business models beyond the existing industries and markets. It is created by the „democratization of products and services“ (Johnson, 2010, pp. 74-76) and „democratization of knowledge and understanding“ (Johnson, 2010, pp. 81-88). The services and products are made available to large groups of customers who could not afford them before, because they were expensive, complicated and access to them was tedious. E.g. mass available car Nano from the Indian manufacturer Tata allows thousands of poor families to replace their scooters for a more convenient and safer means of transport. Accessing knowledge and understanding means that the value offered to the customer moves on the scale from the solving of an unstructured problem, to understanding the instructions (knowledge came to clear information and instructions of the procedures) up to the routine decision making (support systems, using which similarly thinking customers can exchange products or services, use information together, cooperate, socialize with little intervention). The range of business models is then broken down into solutions of sales, e.g. medical practice, law firms, consulting firms, with value added processes, e.g. retail, production, education, catering and facilitating networks, e.g. retail banking, online auctions, internet bulletin boards, telecommunications.

Decline of the used business models is very often overlooked and underrated, in order to avoid conflict between the old and new models. Gross margins for the emerging technologies are initially usually much lower than for the established technologies. There may be different end customers as well as other distribution channels. When the business allocates its capital to the most profitable use, then the established technology will be disproportionately favored and new technology, that disrupts the established model, will be shut down from the resources. According to Christensen (2003), Amit and Zott (2001)

managers are able to recognize the right business model, but its development meets with conflicts with the current model and the basic configuration of the assets, that supports the current business model as well. Research done by Chesbrough (2010) in contrast showed that it is not that clear what should the right business model be. In any case, whether the barrier is caused by confusion, ambiguity or obstruction, the way forward is via experimentation, that takes place as a compilation of schemes of business models, their test run, real run and identification of the real leader responsible for these processes. Mapping is the compilation of graphic diagrams or schemes of business models, e.g. visualization using the Canvas business model or other models (Slávik, 2011). Trial operation tries to experiment with the model under small but real conditions that are sufficiently representative of the larger market. For this kind of experimentation are important concessive testing, testing costs and expenses of eventual failure. An alternative to experimentation is discovery-driven approach (McGrath, 2010). The business model is described to the extent that it can be compared with other business models and the potential market demand. The whole concept moves forward based on the checkpoints, at which the model is tested out and when necessary reevaluated. At each checkpoint it is reevaluated whether to stop the project, redirect it or change it. The business model is developed conceptually and ideologically before the investment itself. Effectuation is based on the assumption that only action brings forward new information and reveals hidden opportunities. Active behavior precedes analysis, the market is being more created than analyzed. Although there are strong prejudices against the proceeding without analysis and data, new data can only be found by experimentation. Last but not least, the business model influences the selection of the main person responsible for the innovation and development. It should be a general manager at the top level of management, who perceives the role cross-sectional without any preference of any business function, but the result of the experiment can jeopardize their stabilized position in the business.

An incentive for the innovation of the business model and a warning before its obsolescence are also critical meetings or debates (McGrath, 2010). The first discussion is conducted with the leading technology based persons in the business. Their job is to think about the future without excessive links to current state of the business, they should be the first to notice the present model when its being compromised and replaced. The second discussion should focus on secondary competitors, so businesses that are not in direct competition in the same industry, e.g. indirect competitors for cinemas is home video. Business model can be jeopardized by innovation out of the established bounds. The third discussion may bring to surface customers that are not current at the moment that may become the customers in future, e.g. too poor, geographically distant, or the business failed to notice them thus far.

The business model includes and develops the “profound truth” about the basic needs of the customers and about how the competition is able or not able to satisfy their needs, as well as about the technological and organizational possibilities of its improvement. Almost in every case a new business model is successfully implemented after several trials and errors. It can, but doesn't have to use new technologies, but it must understand the needs of the customers, technological options and the main logic of the business. That means the business model expresses the essence of the business or the sectorial logic of how to infiltrate the market. This logic has to be tested and repeatedly trialed, adapted and tuned as the preliminary assumptions become clearer. The business model should not only be new for

the business, but somehow new to the industry as well. Its originality, functionality and feasibility can be evaluated according to the following questions (Johnson *et al.*, 2008):

Can you nail the job with a focused, compelling customer value proposition?

Can you devise a model in which all the elements – the customer value proposition, the profit formula, the key resources, and the key processes - work together to get the job done in the most efficient way possible?

Can you create a new business process development unfettered by the often negative influences of your core business?

Will the new business model disrupt your competitors?

Creation of a new business model for new businesses does not necessarily mean that the current model is to be threatened, or it should be changed. The new model usually reinforces and complements the original, core businesses, e.g. still working traditional publishing and sale of newspapers, while at the same time there are free versions of the same issues on the internet. The traditional model probably won't even perish after the expansion of the paid internet versions, e.g. as seen in the Piano system.

Development and innovation of business models is almost exclusively carried out by experimenting and testing of models in the real world, one of the used methods is the method of trial and error. Development of the business models similar to development in laboratories of new technologies and products does not exist in the real world. There are certain possibilities that are offered by means of computer simulations, but even they can not usually work outside their boundaries which are set based on the general knowledge, resp. their limits are set down by the creation of the computer program, whose knowledge and anticipation has its limits as well. A contribution to the experiments with the business models is investigation of the innovation space. If it is not possible to determine a definite business model before its applied in practice, we can at least increase the probability of the right selection within several other variants that are created and appear in the innovation process.

5. OBJECTIVES AND RESEARCH METHODS

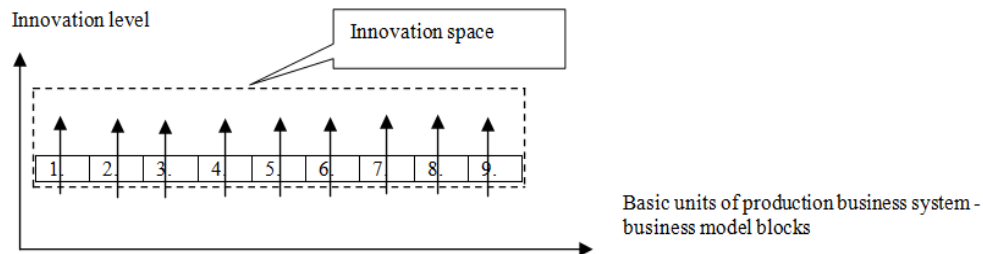
The subject of this research was conducted within 315 enterprises in Slovakia. Due to the base of the sources of the research study there were no restrictions placed on the selection of the enterprises either in size or division of sectors. A questionnaire was used for the collection of the data about the enterprises and their models. After a thorough check of the integrity and credibility of the questionnaire data the number of enterprises was reduced to 208. The results of the questionnaire survey were obtained in a quantitative and qualitative form. The main aim of the qualitative analyze was to identify the innovations of the business models. This means identifying their kind, originality and their complexity, to uncover the potential space for innovation and trying to answer at these questions: Which changes are in business models? What is the range and quality of these changes? What are the trends? Which consequences do these changes bring?

Nine business models were selected, of which the innovations can be considered above average when taking their level of innovation of the whole set into account. The average and benchmark levels for the innovational business models are set by the majority business model (Table 1). Selected business models have three innovative components of their structure, so we analyzed in detail those models, which were innovated in one third of all

blocks. The selection was based on qualitative deviation from majority reality. These deviations are the main object of the analysis. Although the whole group of the companies is not the main object of the analysis, we described the innovation of the whole group. We suppose that the innovation of the whole group is not attractive for a research. Also, R. Sargut and R. McGrath write that „outliers are often more interesting than the average case.” (Sargut and McGrath, 2011) Innovations and non-standard practice are generally in a small range of the research sample edge. And the main aim of our research was looking for this sample. R. Grant quotes also such an experience, who asserts: „My guess is that finding truly radical management innovation is difficult because there is so little of it around.” (Grant, 2008)

Business model Canvas was used to describe and analyze the business models. Components of the innovational business models (Table 2 to Table 10), that were rated as standard and normal, were not described in the schemes, components slightly different are written in normal font, innovational components of the business models are written in bold. The idea of the innovation space is finalized in Table 11, that show the recorded innovation across all of the surveyed enterprises. Information about the exceptional innovations (Table 2 to Table 10) and information about the average innovations (Table 11) are synthetized within the bounds of the trends and innovation space of the business models.

Innovation space determines possibilities, potential for improving of business model, increase of its utility and effectiveness. Final range and concrete kind of innovation space are not known, but their low level, which is caused by similarity of business models, is impulse and reason for their search. The bigger is the difference from competition and this difference is more effective, the higher is the range of business model innovation. Innovation space come into being by qualitative change of business model blocks and it is a result of managerial creativity. Innovation space in the Figure 1 is described in horizontal direction by business model blocks. The vertical direction describes intensity of block innovations. Innovation space is limited by business model blocks and the range their qualitative change – innovation.



Source: Molnár and Dupal (2002, p. 90)

Figure no. 1 – Complex innovation - innovation space

6. CASE STUDIES OF INNOVATIVE BUSINESS MODELS

The predominant (majority) **business model** has certain features that were appearing the most within the surveyed sample. It is shown in the [Table 2](#). These businesses are frequently oriented on the specialized market, on which we can find products or services tailored to the needs of the particular customers. This type of market needs personal assistance, carried out by the retailer, by the physical person ensuring individual sales. The distribution channel is composed of the agent or the store itself. The main area of customer interest is the value that the product creates of which they look at the price, quality and the amount of tailoring to their particular needs and the offered solutions. The main processes are considered to be the sales, marketing and development. Almost all of the sampled enterprises implement outsourcing of the raw materials and materials and logistical input. The most costly resources are composed of the equipment and technology as well as the wages of the executives. The degree of innovation in our sample is showed in the [Table 3](#). It confirms the assumption about the small occurrence of innovations. Innovations with exception are in the block of number two value proposed to the customers. This block is the most visible one and that is why it is adapted to the strong pressure from customers and also competitors. This fact results to the innovations. Boundary occurrence of innovations signalizes also overview of innovative chosen sample of business models in the [Table 4](#). Only nine firms satisfy the condition the minimal number of innovations in the all three blocks.

Table no. 2 – Predominant (majority) business model

Components	Content of components
1. Customer segments	specialized market
2. Value proposed to the customers	1. price, 2. quality, 3. customer tailoring
3. Distribution channels	1. salesperson, 2. traditional shop
4. Customer relationships	personal assistance
5. Key resources	know how, innovation
6. Key activities	sales, marketing, development
7. Key partners	Suppliers of tangible resources, outsourcing of raw materials and material and logistics
8. Cost structure	acquisition of resources, maintenance
9. Revenue streams	sale of products and services, payment via bank transfer

Table no. 3 – Occurrence of innovations in the whole research sample

Blocks	Number of innovations	Share from the whole sample (%)	Number of selected firms
1. Customer segments	6	3,84	1
2. Value proposed to the customers	59	28,37	9
3. Distribution channels	17	8,17	6
4. Customer relationships	9	5,77	4
5. Key sources	9	4,44	7
6. Key activities	7	5,29	4
7. Key partners	8	3,37	2
8. Cost structure	6	2,89	2
9. Revenue streams	15	7,21	2

Table no. 4 – Occurrence of innovations in selected the research sample

	Innovative business model blocks									Number of innovations
	Solar	Milcom	Eco	Hejhouse	Lidl	MG&MK	ZP	Dražby	Piano	
1. Customer segments			/							1
2. Value proposed to the customer	/	/	/	/	/	/	/	/	/	9
3. Distribution channels	/		/	/		/		/	/	6
4. Customer relationships		/		/			/		/	4
5. Key resources	/	/	/	/	/	/		/		7
6. Key activities			/		/	/	/			4
7. Key partners	/				/					2
8. Cost structure	/	/								2
9. Revenue streams			/				/			2
Number of innovations	5	4	6	4	4	4	4	3	3	37

Solar enterprise offers a clean source of energy to its customers, who want to be considered as environmentally responsible and at the same time they do not want or do not have enough capital to invest in such type of energy source. Solar will build solar panels on the roof of the customer and then they sell them the electrical energy the customer uses as any other supplier. The price is comparable to the price from conventional sources and its production does not harm the environment. The innovation of a traditional business model of production, supplying and sale of electricity is recorded in the Table 5. **The innovation** of the business model lays in the free provision of the facilities producing the clean energy, ability to acquire installation space for free and in the absence of the distribution channel.

Table no. 5 – Innovation of business model done by Solar

Components	Content of components
1. Customer segments	<i>ecologically aware customers</i>
2. Value proposed to the customers	<i>electricity produces with ecological impact, image of social responsibility</i>
3. Distribution channels	<i>no need for public grid</i>
4. Customer relationships	-
5. Key resources	<i>customers roof space, solar panels</i>
6. Key activities	-
7. Key partners	<i>sunlight</i>
8. Cost structure	<i>free source of solar radiation, free roof space</i>
9. Revenue streams	<i>- the cost of collecting solar radiation + revenue from sale of energy based on consumption</i>

Milcom enterprise noticed that in stores there is a lack of fresh unpasteurized milk with the addition of varying quality. The solution of this problem was to produce and distribute vending machines, which provide fresh raw milk from dairy farms to the customers. The customers can provide their own bottle, or the vending machine offers a plastic or glass bottle that can be easily reused. The setting up of these vending machines is

supported by the grants from the European Union and the government in the form of tax relief subsidizes the sale of untreated milk. The enterprise **Mliečny expres** offers a modification of the business model, in which the vending machine is mobile. The orders come from the educational, sport or cultural events. **Innovation** of the business model consists of offering new value for customer (unpasteurized milk) through the appropriate spacing of the vending machines (Table 6).

Table no. 6 – Innovation of business model done by Milcom

Components	Content of components
1. Customer segments	<i>customers preferring bio products</i>
2. Value proposed to the customers	<i>unpasteurized milk</i>
3. Distribution channels	<i>choice of right sale point</i>
4. Customer relationships	<i>self-service</i>
5. Key resources	<i>small space for machine placement, vending machine, electrical outlet</i>
6. Key activities	-
7. Key partners	<i>milk producers, vending machine producers</i>
8. Cost structure	<i>+ lower costs on property rent, smaller personnel costs</i>
9. Revenue streams	-

Eco produkt enterprise is engaged in the distribution of ecological products for energy saving. In addition to the sales of these products this company is dedicated to spreading environmental awareness and care of the environment within the Czech and Slovak customers. In addition to the sale to the end customer this company carries out wholesale activities and supplies products to traditional and internet stores. One of the newest additions are the free lectures on ecology for elementary and secondary schools, which are connected with the presentation of Eco bottles, which if interested the customer must buy. **The innovation** of the business model is the discovery of unusual market segments in form of the elementary and secondary schools and sale of ecological products with the support of lectures (Table 7).

Table no. 7 – Innovation of business model done by Eco product

Components	Content of components
1. Customer segments	<i>common customer, students</i>
2. Value proposed to the customers	<i>propagation of environmental awareness, sale of ecological products</i>
3. Distribution channels	<i>salesperson, online sales, sales at school</i>
4. Customer relationships	-
5. Key resources	<i>teacher, knowledge, experience</i>
6. Key activities	<i>lectures</i>
7. Key partners	-
8. Cost structure	-
9. Revenue streams	<i>- free lectures + sale of ecological products</i>

An innovation of some online stores is a parallel rollback and sale in traditional stores. **Hejhouse** enterprise combines the common delivery point with a large traditional shop. The customer can order the product on web page hej.sk and pick it up in Hejhouse, that as

opposed to a traditional pickup point is open the whole week from morning till dawn. This shop consists of several hundreds of items on stock. This item must be ordered still on the internet at home or at the terminals placed throughout the shop, but the customer does not have to wait for it to arrive, they can immediately buy the items. The prices are the same as when bought via internet. A new Drive system known from the fast foods is a new addition. The customer parks in an allocated space next to the shop and doesn't have to leave the car. The shop assistants place ordered and paid for goods into the car. **The innovation** of the business model is the rollback to the traditional stores and its connection with the online shop (Table 8).

Table no. 8 – Innovation of business model done by Hejhouse

Components	Content of components
1. Customer segments	<i>suspicious price sensitive customers</i>
2. Value proposed to the customers	<i>online sale + personal sale</i>
3. Distribution channels	<i>traditional store + online store</i>
4. Customer relationships	<i>personal assistance + automated services</i>
5. Key resources	<i>placement and size of store + IT</i>
6. Key activities	-
7. Key partners	-
8. Cost structure	-
9. Revenue streams	-

The retail chain **Lidl** is another example. Everywhere it enters it emphasizes on low prices and low costs. This can be seen on the appliances in the stores, brands of goods and its simple message. The goods are not usually placed on the racks as they stay on the pallets in the forms of its original transport packaging. The customers do not become free shopping bags. The range of Lidl's own brands dominate the chain, while traditional branded products are rather complementary. Branded producers are falling behind the private brand, but it loses the marketing and propagation costs as well. This product mix makes it that Lidl has lower prices than its competitors in almost all product categories. Among the customers are also people with middle and higher incomes, who are willing to accept a lower price with smaller shopping convenience and sometimes quality. **Innovation** lies in the limited range of private label products and retail wholesale type of operation, where the supermarket model is taken to its extremes (Table 9).

Table no. 9 – Innovation of business model done by Lidl

Components	Content of components
1. Customer segments	
2. Value proposed to the customers	<i>cheap products with enough quality</i>
3. Distribution channels	-
4. Customer relationships	<i>self-service</i>
5. Key resources	<i>minimalistic store</i>
6. Key activities	<i>minimal customer contact</i>
7. Key partners	<i>suppliers of private brands</i>
8. Cost structure	<i>+ lower costs on appliances and store maintenance</i>
9. Revenue streams	-

The Bboyspot Europe - MG&MK is the European representative of The Bboyspot that has global headquarters in the USA. The business is located in Banska Bystrica and it sells clothing and accessories for the hip-hop community and breakdance dancers. It is the main organizer of hip-hop festival Outbreak Europe and co-organizes dance events at national and international levels. It organizes dance events in cooperation with well-known enterprises such as Kia Motors, Red Bull and the city of Banska Bystrica. The source of revenue is from sales of tickets, sale of clothes at the venue and at the same time the company promotes itself to the public. This company is the first of its kind on the Slovak market; its leadership is dedicated to the hip-hop culture and professional dancing in this style, and therefore perfectly knows the market and ultimately combines quality clothes exclusively supplied from the USA with the performance at events and dance competitions. **The innovation** in this business model can be regarded as the personal and intimate knowledge of the market and combining sales of clothing with dance events and competitions (Table 10).

Table no. 10 – Innovation of business model done by The Bboyspot Europe - MG&MK

Components	Content of components
1. Customer segments	<i>dancers of specific type</i>
2. Value proposed to the customers	<i>exclusive atypical clothing</i>
3. Distribution channels	<i>internet, dance shows, festivals</i>
4. Customer relationships	<i>a well defined community</i>
5. Key resources	<i>leadership uses well sold products, confidential market knowledge</i>
6. Key activities	<i>connection of dance events and sales</i>
7. Key partners	<i>exclusive supplier of clothing, respected businesses</i>
8. Cost structure	
9. Revenue streams	<i>+ retail and wholesale, dance events, sponsors</i>

The business models of **discount portals** works by brokering the sale of a product or service to the end customer. The retailer orders a sale and sets the conditions (number of coupons, discount amount, duration). Discounts can be up to 50% off the original price of the product. The discount portal then publishes the specified product on its website or through newsletters or Facebook. The customer pays for the product by credit card or bank transfer. After the transfer of money to the beneficiary (portal), the customer receives an e-mail with a voucher number and password, which is used as the currency. The coupon is transferable and can be given away. The retailer who ordered the sale through the discount portal is generally sent the money within 14 days. The intermediary takes its commission fee ranging from 5 to 50% of the discounted price. Restaurants, beauty salons, wellness and fitness centers and hotels mostly use the sale of coupons at discount portals. Another model has originated as well. It is a portal, www.zozenzlavu.sk, that provides a platform for seekers of earnings who want to become promoters of discounts and are actively seeking orders to sell at a discount and try to enter into contracts with the candidates. Promoters receive free training, written instructions and tips and ideas for suitable targets for the discount. If you sign a contract, you can be entitled to a commission of 3%. Discount portals are an appropriate tool for the sale of older collections of goods, weaker days (hotels) or hours (restaurants), but also can be used as a marketing tool for the launch of a new product or for the purpose of acquiring new customers. **The innovation** of this business model is based on the virtual connection of large groups of sellers and buyers, whose motivation is to make more sales with lower unit margins

and those who want to buy the desired product at a lower price than usual. An incentive to purchase is strengthened by the convenience of internet shopping and consumption of the product at the time the customer desires (Table 11).

Table no. 11 – Innovation of business model executed by discount portals

Components	Content of components
1. Customer segments	-
2. Value proposed to the customers	<i>products and services with discounts, convenient purchase, usage of product at desired time</i>
3. Distribution channels	<i>website, newsletter, Facebook</i>
4. Customer relationships	<i>automated service</i>
5. Key resources	<i>online platform</i>
6. Key activities	<i>sales promotion of harder marketable products</i>
7. Key partners	<i>portal www.zozenzlavu.sk</i>
8. Cost structure	-
9. Revenue streams	+ <i>provision</i> + <i>payment before sale of product, sometimes the sale is not concluded</i>

Another enterprise **Dražby-preprav.eu** carries out auctions, in which customers are through an electronic platform connected with freight forwarders, who offer the desired services meeting their requirements. Customers and carriers must be registered on the portal. Each party pays a small monthly fee for the entry into the auction system. The customer provides the transport parameters (size, quantity, time and place of loading and unloading) and the starting price. If the customer does not know or does not want to specify the price, they enter the mandatory amount of 5 €. The carriers then submit their own price. The customer is then informed by the offers via e-mail, from which he then chooses. **The innovation** of this business model is similar to discount portals, but the customer has a choice of a larger number of suppliers and can negotiate the final price. Automated platform allows that and also the whole buy and sell. It helps also to compare price and quality of suppliers and buyers thanks to references (Table 12).

Table no. 12 – Innovation of business model done by Dražby-preprav.eu

Components	Content of components
1. Customer segments	-
2. Value proposed to the customers	<i>negotiation of lowest price without impact on the quality of the transport</i>
3. Distribution channels	<i>webpage</i>
4. Customer relationships	<i>automatic platform</i>
5. Key resources	<i>webpage auction</i>
6. Key activities	-
7. Key partners	-
8. Cost structure	-
9. Revenue streams	+ <i>monthly registration fee</i>

Revenue from the sale of newspapers and magazines are falling and internet versions can not earn enough money from advertising to subsidize the printed formats and even earn for its own operation. **Piano Media** is a payment system that brings together the different internet

portals of newspapers and magazines in Slovakia and allows an easy charging method for their content. Customers provide a single payment for access to mainstream and premium content and services of selected newspapers and magazines without any ads. Every news media employs this model in a slightly different way. Journal .týždeň (week) offers all the text on the site three days after the printed version in addition with video recordings, television station JOJ provides a complete version of its news portal and daily newspaper SME shows the paying visitors on the web the content one day before the paper version and on the morning of the printed version it sends a pdf version of the newspaper for the Kindle reader.

Customers of the Piano service order it via the portal www.pianomedia.sk on which they fill out a simple form. Immediately after their payment they receive credentials and the system may be used. A flat fee is introduced according to the length of the subscription (weekly, monthly and year). You can choose between several payment options. Proceedings from the sales are split between the medium that the customer prefers (40 %), other media, the reader visits (30 % share is divided by the time spent with the chosen medium) and the Piano (30 %) which operates the system. The money is divided among the media that the customer prefers and this creates the encouragement for them to make more money.

The business model of Piano Media is so versatile that the company wants to expand to the whole world. The current objective is to obtain a single country significantly greater than Slovakia and one in Western Europe. Then the model will be verified whether it will work in the next 30 to 50 countries. The model is currently being operated in Slovakia (5.5 million people, 3 million internet users, covering 5 % of media content), Slovenia (2 million inhabitants, 1.3 million internet users, 10 % of media content) and Poland (38 million people, 19.5 million internet users, 15 % of media content). Poland is strikingly the country, which would undertake the decisive test to see the viability of the system. **The innovation** of this model is the introduction of paid services with higher quality and range without annoying ads. Previously, the service was free, but in lower quality and scope, and accompanied by disrupting advertising (Table 13).

Table no. 13 – Innovation of business model done by Piano Media

Components	Content of components
1. Customer segments	<i>Slovakia, Slovenia, Poland</i>
2. Value proposed to the customers	<i>platform for payments of common subscription for internet versions of newspapers, magazines and TV news, access premium content and selected services</i>
3. Distribution channels	<i>internet</i>
4. Customer relationships	<i>automated services</i>
5. Key resources	<i>IT</i>
6. Key activities	<i>platform development, market expansion, marketing</i>
7. Key partners	<i>newspaper, magazines, TV stations</i>
8. Cost structure	<i>costs for key activities</i>
9. Revenue streams	<i>30 % provision of payments</i>

The innovation of business models involves changing some of its segments or parts as reflected in higher utility or less cost. Successful business models are most commonly produced using the available resources and technologies that are combined into a new, unusual combination that is unique. The enterprise Apple, in the mobile phone industry combined telephony, internet, listening to music, watching movies, playing video games.

The iTunes library promotes music and movies and it allows you to customize your phone by installing additional applications. Available technologies were combined into one product. Other companies have changed only some parts of the business model. IBM has ceased to pay attention to households and focused on business customers, rather than products it is more devoted to the provision of services. McDonald incredibly accelerated their processes of food preparation and customer service. Milcom offered a return to the traditional product in combination with a new form of sales, and thus created new value, which is precisely the connection of unpasteurized milk and convenient purchase they offer. Auction house eBay concentrated an extremely diverse supply and demand on one platform and it achieves a balance between them by the idea of an auction. The innovation is usually not isolated by itself, but it occurs in a group of smaller innovations. Low prices at the retail chain Lidl are achieved not only by selling private label foods that are produced by high-quality partners, but also doing a low cost way of warehouse retail.

7. DISCUSSION

The purpose of the identification of the innovation space is to identify types of innovation and their potential for further development. The extent and quality of the innovation space gives us an idea of what is the potential frequency, functionality and originality of the innovation of the business model and their resistance to imitation. The identification of the innovation space is based on the description and analysis of selected innovative above average models (Table 5 to Table 13), the innovation potential derived from the whole set of models examined (Table 14) and the deviations from the majority model (Table 1). Letters A to E that are the references to the cluster typology of business models mark the outbreaks of innovative business models.

Solar business model is from the category of models that are dominated by resources and processes (B). Its innovation lies in the free acquisition of some resources. No payment is an important part and becomes often an important characteristic of business models. This model is a closed and a fully integrated chain of production and consumption of electricity. The primary customer value, which is the electrical energy, is accompanied by a secondary value (A), which is the feeling of socially responsible use of environmentally clean energy source. The innovative space of the business model is thus extended to free resources that also meet the criteria of social responsibility.

Milcom business model is a model based on a combination of a new product (A) and a new way of marketing (B). The innovation is to offer a product that is a raw material itself. The durability of it compared to the modified product is substantially lower, and thus requires being in smaller quantities and needs shorter delivery intervals. This is offered by vending machines, which store this product to form separate sales network in close proximity to residential homes. The innovation area in this case is not only aimed at the product and its distribution, but also at the appropriate combination of the two.

Business model of **Eco produkt** bundles an unconventional product (A) and non-traditional market segment (C, D) together. It uses organic fashion trends and penetration of environmental awareness within the society, to change a simple product that is offered to the low-yield segment of students of primary and secondary schools. This business promotes the product via a teaching style on school grounds. The innovative space of this model is extended by combining the product with attractive social trends and reaching out to a few

not enough discovered and monetized market segments, which are typical by their interest in other priorities, e.g. fashion clothing, entertainment, sport and so on.

Hejhouse business model is again a combination of, in this case two components, but only one category of business models (C). Two different forms of sales are compiled into one complementary total. Hejhouse is a very good example of how the old model can at least temporarily coexist with the new model. It's also a return to the old model, which will be operational until it is able to bring value to the customers. Value proposition is not just the value of the product itself, but also the choice of the form of purchase (A). This model mimics at the same time the selling ideas of fast food restaurants where customers place orders out of the car and that's where they are served as well. The combinations of different versions of the old and the new model, which is complemented by other parts of the business models, complete the innovative space in this model.

Business model of the **Lidl** retail chain produces minimal source and process conditions (B) to maximize the value offered to the customer (A). Maximizing customer value lies in increasing the ratio of usefulness offered mainly by the food products and their price. Product quality is generally set on an average level, prices are the lowest when compared to competitors. The concept of minimization is reinforced by the key partners (D), giving up their brand in this model and delivering products under the private label. The motive is to maximize sales and to maximize capacity utilization. The innovative space of this business model is in the simplification of the borders of the conditions of sale, its effects on the supply and price quality ratio and consumer prices.

The business model of **Bboyspot Europe - MG & MC** is based on a suitable combination of the product (A), sources and processes (B) and distribution (C). Exclusive clothing is sold with an extensive knowledge of the product and market knowledge to exclusive events. This model is based on the fact that neither of the exclusive components can not function properly in conjunction without the other ingredients. A significant difference of this model is the uniqueness and exclusivity of each of its parts. The innovation area extends itself by the escalation of the resources, processes and distribution to extreme positions of the high-quality and uniqueness although the result may be a narrow specialization and can lead to the marginalization of the business.

Business models of **discount portals** are using elemental motivation of consumers to satisfy the need at the lowest price (A). Models of this kind also offer comfortable service and purchase of goods or services that can be consumed at a time of your desire. The motivation is to revitalize vendors that are selling products and services (D), which are sold worse off because they are new and unknown, or vice versa have become obsolete, or are unevenly utilized by the capacity of the services. The development model supports the portal www.zozenzlavu.sk (D), which is a source of new product offerings and services. All sales take place on an electronic basis. Discount portal motivation lies in the commission of a detained cash rebates for the purchase of goods and services during the payment period (E). The innovative space model is in search of new and non-traditional offerings for sale and setting various commissions.

While the previous model was constructed on the online platform, **Dražby-preprav.eu** is based on an auction platform. It is dedicated to the creation of a market place in which it is easy to negotiate on prices for transport. This website mediates the connection between consumers and services providers and is a place to negotiate the lowest price without repercussion on the quality of services (A) and on an electronic base (C). The customer is motivated by the low price, the supplier by the extent of demand and the portal operator by

monthly fee for the registration of participants in the auction. The innovation space is to use the auction platform for other types of products and services and to provide reference checks on suppliers of products and services.

The business model by Piano Media charges for access to previously free content of the online versions of print media that do not cover their costs of advertising revenues. The customer pays for the access a fee to several media, that in addition to the current content offer premium content for the customer, video recordings and allow access to content prior to release or block the access to free users within a short period of time (A). The annual fee for such access, e.g. to ten media is significantly lower than the annual subscription for a single print media. Payments are mostly done electronically. The customer is stimulated by the modest fee and a wide range of special information. Publishers of printed media are in turn attracted to a new kind of revenue and increasing market penetration. The innovation space is to expand the number of media participants, the variations they offer from the information services, charging for free services and searching for the reasons for the transition from free to paid consumption.

Above mentioned and analyzed business models are the source of these incentives for innovation, extending the prior innovation space:

1. The use of free resources in the process-source model, which also meet the criteria of social responsibility. Offers the customer value in form of the product (electricity), which is produced organically (Solar).

2. The product is a raw material, which is sold in appropriately geographically placed machines. The added value for the customer is to preserve flavor and nutritional parameters of materials through an easily accessible point of sale (Milcom).

3. A simple product is participating on the wave of environmental awareness, the point of sale is created during the after school lectures on environmental theme and caters to non-traditional customer, who is a pupil in elementary or secondary education. The added customer value is the product of an ecological image with a simple process of purchase (Eco).

4. The old and the new model work in symbiosis. The value for the customer is the choice of how to shop (Hejhouse).

5. Resources and processes are minimized. The value for the customer is to maximize the relative value of the purchased product (Lidl).

6. This model is mainly constructed by its exclusivity and uniqueness. The value for the customer is the perfection of the product and the individualization of the sales process. (The Bboyspot Europe - MG&MK).

7. Electronic marketplaces can be used to purchase various products and services, commissions and payment periods are variable. The customer value is low cost and choice of time consumption (discount portals).

8. An electronic auction can be used as the place for haggling prices of other products and services or can be converted to an inverse auction. The customer value is the lowest price offer of such a magnitude, they would not be able to aggregate at the same time (Dražby-preprav.eu).

9. A free service is changed into a paid service, a less complex offer becomes more complex but of better quality at the same time. The value offered for the customer is a comfort access to the payment and usage of the service (Piano Media).

A potential space for the innovation of business models (Table 13) was made on the basis of the entire surveyed sample of enterprises, large-scale study of journal articles and literature, including business websites, which are given as examples of the above average

innovation (Table 4 – Table 12). The innovative space that is identified on the basis of the entire surveyed sample (Table 13), is described by the individual blocks of concept of Canvas, is located between two opposites, or its range is expressed by a limited tendency:

1. Customer segments: specialized versus mass market
2. Value propositions: product versus solution
3. Channels: approaching the customer
4. Customer relationships: close relationships up to co-creation versus self-service
5. Key resources: own exclusivity versus supplier dependency
6. Key activities: produce versus buy
7. Key partners: approaching the suppliers
8. Cost structure: cost reduction
9. Revenue streams: sale versus rent and monetization of derivative of primary holder of added value for the customer

Majority model (Table 1) has in the relation to the innovation area (Table 14) the role of the approximate middle value. Components of this model are expressed specifically, and therefore they can be the base for the determination of the baseline of the business model, and from that to develop innovative trends. The identified innovative space mostly differs from the majority model, or is an original and a challenging part in the component of the customer value, which brings the solution as the replacement to the product, in the component of the relationships with customers, which makes the substitute for personal assistance the self-service, in the components of key resources and key processes, where it not only considers their own but also foreign sources and processes and in the component of revenue streams where the revenue from the sale of the main product is multiplied by derived products.

Table no. 14 – Innovation of business model done on the basis of Canvas

Components	Content of components
1. Customer segments	1. contrasting type of market in sector, e.g. niche market against mass market 2. growth of sales based on previous experience and knowledge 3. diversification 4. cross-selling
2. Value proposed to the customers	1. solution versus product 2. complementary product 3. lower price 4. availability and purchase convenience 5. unusual parameters 6. image of the customer
3. Distribution channels	get the product to the client as close as possible in order to increase comfort and maintain, or reduce distribution costs
4. Customer relationships	1. tighter relationship with customers, understanding their precise needs and shopping behavior (co-creation, communities, e.g. Linux) 2. automated processes and self-service, unless required personal contact (Milcom, Tesco)
5. Key resources	1. exclusive supplier (MG + MK) 2. difficult to imitate source (source code Isis, Coca Cola recipe) 3. ownership of industry-standard (Microsoft)
6. Key activities	1. produce or buy 2. focus only creating value, other parts of the model to allocate to its partners (mobile operators)

Components	Content of components
7. Key partners	<ol style="list-style-type: none"> 1. change suppliers to partners 2. replacement of significant suppliers by means of own production 3 employees to change to partners (employee shares)
8. Cost structure	<ol style="list-style-type: none"> 1. outsourcing of costly and uneven operations 2. reduce costs by producing instead of buying 3. reduce labor costs by introducing automated relations
9. Revenue streams	<ol style="list-style-type: none"> 1. sale versus rent 2. complementary products 3. using cross-selling brands (Adidas: sports shoes → Sportswear → cosmetics) 4. advance payment 5. derived (secondary) income zone (Disney: cartoons → theme parks → computer games → clothing)

8. CONCLUSION

The study of the specific business models brought a several news and valuable knowledge about their innovations. Free purchase and sale of a product or service are typical for particular models, which are dominated by trade. There was a documented occasion of no payment beyond the trade business model (C) in the source and process model (B), which had cases where there was a crucial source obtained free of charge (solar energy). A standard product (electricity) came into becoming of greater customer value (A), because it was made in a socially and environmentally attractive and responsible manner. In a model, which was dominated by product (A), there has been an inversion of the processed product to the raw material (untreated milk). A simple product (bottle) pioneered the organic spirit and became of increased customer value (A) without any product innovation. A simple product was coupled with an interesting story. Combination of old and new forms of sales expanded customer convenience (A), the effect was achieved by combining two previously independently operating sales forms (online and traditional commerce). Customers surrender their shopping convenience and do not mind minimization and simplification (discount stores), if they can maximize their added value. The opposite trend is exclusivity (A) which escalated to an extreme (dance costumes). Electronic marketplaces (C) are awaiting distortion among the stereotypes that they are only appropriate for certain types of products and will be used to trade yet new and unsuspected groups of goods. Free models (C) receive first cracks and their products and services that have long been available for free, become pay based (Piano Media). From exploring the whole set of business models it became apparent that the innovation space is located between the opposites, e.g. to produce or to purchase, the product or the solution, and that this area should be stepped up to the end and filled without residue. One can even go beyond the outer limits, for example approaching the customer, minimizing costs, but crossing the border we would encounter a totally different business model. Research and analysis of business models shows achieved innovation space. Growth and enlarging of innovation space demonstrate objective trends, those directions are impulses for searching and creation of new business model innovations.

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