

Research on Enterprise Business Model Innovation Strategy in the Digital Era

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Abstract

The digital era offers opportunities for business model innovation, but also brings challenges. This strategy has become key to gaining a competitive advantage. Digital transformation has had a significant impact on business models, particularly in the evolution of value chains and value creation processes. As business operations shift from the physical to the digital world, companies have the opportunity to explore and compare new business model approaches. This study aims to analyze the key elements and patterns of business model innovation strategies to help businesses adapt to the digital era.

Keywords

Digital Era; Business Model Innovation; Strategy.

1. Introduction

In the wave of the digital economy, the focus of enterprise competition has shifted from mere product competition to business model competition. Traditional business models can no longer meet the need for enterprises to achieve long-term competitive advantages in highly dynamic and competitive market environments. The rapid development of digital technologies requires enterprises to not only focus on product and service innovation but also reassess their value creation, delivery, and capture mechanisms to achieve business model innovation. Business model innovation has become a critical strategic tool for enterprises to enhance competitiveness, adapt to market changes, and even reshape industry landscapes.

The core of business model innovation lies in the systemic restructuring of key enterprise activities, resource allocation, and value networks rather than merely transforming individual businesses or products. Particularly in the digital economy era, business model innovation often involves new characteristics such as data-driven operations, intelligent management, and ecosystem collaboration, posing higher demands on enterprises' strategic planning and execution capabilities. Based on existing research, this paper will discuss the key elements and typical patterns of business model innovation strategies to provide references for enterprises engaging in business model innovation in the digital era.

2. Literature Review

The design and implementation of business model has become the core strategic issue of managers, and business model innovation has been widely concerned as a research hotspot. Relevant researches mainly focus on the following aspects: (1) Innovation opportunities and challenges (Chesbrough, 2010); (2) Value creation mechanism; (3) Business model framework system; (4) Competitive advantage; (5) Knowledge Management (Krenz et al., 2014); (6) Business model elements. Digitalized business model innovation is mainly manifested in two forms: the creation of new business models or the transformation of existing business models (Hanelt et al., 2021). Research on business model innovation usually adopts the case study method to deeply analyze the business model practices of representative case companies. In

China, there have been researches on how enterprises achieve competitive advantage and market leadership through innovative business models, such as Haier and Midea.

Regarding business model strategies, scholars have also conducted in-depth discussions on the relationship between business models and strategies. Teece (2018), Casadesus-Masanell and Ricart (2010), Snihur and Eisenhardt (2022), among others, propose that a business model is essentially a strategy, with its core objective being to gain competitive advantage. A business model can be viewed both as a strategic arrangement for enterprise value creation and business goal achievement and as a specific execution method of strategy. In the digital era, business model innovation has become one of the key sources of competitive advantage for enterprises. Therefore, enterprises need to develop business model innovation strategies that match their development needs.

One of the direct driving factors of business model innovation is the business model innovation strategy. Research shows that business model innovation has a high degree of strategic relevance (Yang Jun et al., 2020; Zhang Zhipeng, 2020). Amit et al. (2020) link business model innovation with corporate strategy, exploring the definition, key elements, and future research directions of business model innovation strategies. Amit (2022) further points out that business model innovation strategies encompass three key elements: "strategic design, strategic formulation and implementation, and strategic management and adaptation." Additionally, Amit et al. (2022) analyze the importance of business model innovation strategies in the context of China's digital economy in the post-pandemic era. Research on business model innovation strategies in the digital economy context can be broadly classified into two categories:

- (1) Service-oriented business models: In the digital era, numerous enterprises achieve value creation through servicization, a model involving the concept of digital servicization (Correani et al., 2020; Rabetino et al., 2017; Tronvoll et al., 2020). For example, Tronvoll et al. (2020) study the process of enterprises transitioning towards servicization, while Rabetino et al. (2017) analyze the key actions, tools, and implementation processes behind servicization strategies.
- (2) Platform-based business models: Digital platforms have become the foundation for many new business models (Volberda et al., 2021). Platform-based business models can aggregate resources from multiple parties, forming synergistic effects and creating long-term competitive advantages for enterprises.

The academic circles have carried out extensive research on business model innovation, enterprise strategy and business model innovation strategy, and revealed the key trends of enterprise business model innovation under the background of digital economy.

3. Key Elements of Business Model Innovation Strategy

Based on the research by Amit et al. (2022), business model innovation strategy involves three key aspects that leaders must consider when making strategic decisions:

Designing a new activity system: Companies need to rebuild their core value creation logic. Digital-era business models often involve features like data-driven operations, intelligent systems, and ecosystem collaboration. The design should not only consider internal resources but also external ecosystem synergies. For example, Amazon's AWS business is a typical case of redesigning a value creation system beyond its traditional e-commerce.

Creating and implementing the new activity system: Companies must turn the new activity system design into concrete actions. This includes adjusting organizational structure, building technology infrastructure, and developing marketing strategies. Successful implementation relies on flexible resource allocation to adapt to dynamic market environments. For example, ByteDance's success in short videos is due to its algorithm advantage, agile structure, and innovative culture.

Managing and continuously adjusting the new activity system: Business model innovation is a dynamic process, and companies must optimize and adjust their activity systems based on market feedback. Data analysis, user feedback, and competitor actions guide these adjustments.

4. Typical Models of Business Model Innovation in the Digital Era

The digital economy has driven the continuous evolution of business models across various industries. Different companies, based on their characteristics and market demands, have developed unique strategies for business model innovation. This section explores four typical models: platform-based enterprises, digital transformation in manufacturing, fintech companies, and shared economy businesses.

(1) Platform-Based Enterprises: Data-Driven Optimization

The core feature of platform-based enterprise is to establish a digital platform connecting supply and demand to realize resource integration and information matching, thus creating new value. First of all, data-driven accurate matching is the key to platform enterprise business model innovation. Taking Alibaba as an example, its e-commerce platform relies on strong data analysis capabilities to achieve user demand prediction, personalized recommendation and precision marketing. Amazon uses AI algorithms to optimize product search and recommendation, improve users' shopping experience, and use automated warehousing and logistics systems to improve operational efficiency. Secondly, ecosystem building enhances the competitiveness of the platform. Alibaba not only provides an e-commerce trading platform, but also builds a complete digital ecosystem such as payment (Alipay), logistics (Cainiao Network) and cloud computing (Alibaba Cloud), forming complementary synergies.

(2) Manufacturing Industry Transformation: Smart Manufacturing and Service Innovation

In the digital age, traditional manufacturing enterprises are building new business models through smart manufacturing and service-oriented transformation to enhance competitiveness and value creation capabilities. Haier and Midea are representatives of the digital transformation of China's manufacturing industry, and they promote business model innovation through intelligent manufacturing and industrial Internet. However, in the process of digital transformation, manufacturing enterprises also face challenges such as high cost of technology upgrading, difficulty of data integration, and inertia of traditional business models. To achieve business model innovation, manufacturing enterprises need to strengthen the construction of digital infrastructure, while optimizing supply chain management and improving intelligent manufacturing capabilities.

(3) Fintech Companies: Digital Transformation of Financial Services

Financial technology (FinTech) companies use digital technology to promote the transformation of financial services models, reshaping traditional banking, payments, loans and other financial businesses. Ant Group and PayPal are representative companies in the fintech sector, which rely on technologies such as digital payments, artificial intelligence and blockchain to build new financial services models. Digital payments have changed the way traditional transactions are made. Second, data-based credit assessment and inclusive finance are important innovations for fintech companies. While traditional banks mainly rely on financial statements for loan review, Ant Group's "Sesame Credit" conducts credit scores based on user consumption records, social relationships and other data, enabling small and micro enterprises and individual users to obtain more convenient loan services.

However, fintech companies face challenges such as tightening financial regulation, data security risks, and credit risk control. For example, the Chinese government has tightened regulations on Internet finance platforms in recent years, and Ant Group's IPO was blocked as a result, demonstrating the need for fintech companies to innovate while ensuring compliance.

(4) Shared Economy Businesses: Resource Sharing via Digital Platforms

Sharing economy enterprises realize resource sharing through digital platforms, improve resource utilization efficiency, and create new business value. Didi and Airbnb are typical examples of the sharing economy model. First of all, platform operation reduces resource transaction costs. Through mobile Internet technology, Didi has built a real-time matching system between drivers and passengers to improve travel efficiency, while using big data to optimize pricing strategies and supply and demand regulation. Secondly, the establishment of trust mechanisms is the key to the success of the sharing economy. Both Didi and Airbnb use user evaluation systems and credit scoring mechanisms. However, the unified sharing economy enterprises face regulatory uncertainty, platform responsibility definition, fierce market competition and other problems. For example, several cities around the world have put strict restrictions on Airbnb's short-term rental model, arguing that it affects the local housing market; Ride-hailing companies such as Didi are also subject to policy controls in many countries.

5. Conclusion

In the digital era, business model innovation strategy not only influences a company's market competitiveness but also determines its role and development direction within the future digital economy. Companies should continue to explore the integration of emerging technologies and business models, creating agile, open, and sustainable innovation pathways to maintain a leading position in the rapidly changing market environment.

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