The STOF Business Modelling Method

A more thorough, yet also more labour intensive approach is the Business Model Diamond / STOF approach. This section provides a quick overview of this business model design approach, developed by Novay.

This approach takes the value network and its interests as a starting point and hence is a very appropriate method for Living Lab business model design. It can be used in (facilitated) board room sessions and for analytic and redesign purposes.

A business model according to STOF describes how organizations work together to create and capture value from four perspectives, i.e. Service, Technology, Organization and Finance. The relevant design choices with regard to these perspectives need to be balanced to create a business model that is viable and feasible. The method offers a step-by-step approach with design issues as defined in the STOF model.

The STOF model describes business models from four interrelated perspectives:

1. *Service* **domain**: a description of the service offering, its value proposition (added value of the service offering) and the targeted market segment;
2. *Technology* **domain**: a description of the technical functionality required to realize the service offering;
3. *Organization* **domain**: a description of the structure of the multi-actor value network required to create and provide the service offering;
4. *Finance* **domain**: a description of the way a value network intends to generate revenues and the division of risks, investments and revenues;

When properly designed and balanced, these domains constitute a business model that generates value for customers as well as the provisioning network (see Figure 5).
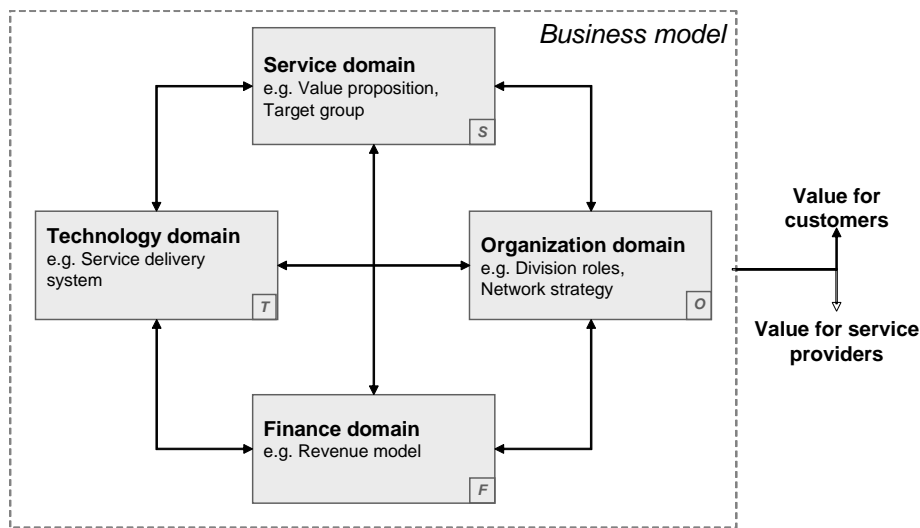
Fig. 5 STOF model (Bouwman et al., 2008).

Every domain consists of a set of specific aspects that are described. An extensive overview of these aspects is provided by Bouwman *et al.* (2008) and Faber and De Vos (2010).

The STOF method uses the STOF model concepts to iteratively design a business model. It consists of four subsequent steps, which are illustrated in Figure 6.
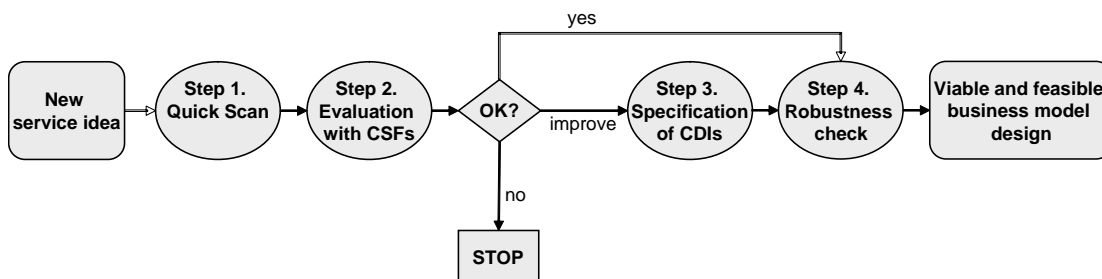

Fig 6. Design steps in the STOF method.

Step 1 refers to the Quick Scan, where initial design choices are formulated. In Step 2, the Quick Scan is evaluated with respect to the eight so-called Critical Success Factors (CSFs), with the aim of assessing the expected viability of the business model. If one (or more) of the CSFs is assessed negatively, specific so-called Critical Design Issues (CDIs) of the business model are re-examined or further specified in step 3. Step 4 focuses on the robustness of the design, e.g. the sensitivity of the business model with regard to changes in the value network.

In the following page a template for designing STOF-based business models is provided. More info can be found at www.novay.nl.

Service	Technology
Customer/target group: • ... *Context of use*: • .. *Value proposition and services*: • ..	*Additional elements*: • .. *Changes*: • ..

Organization	Finance
Draw the value network: • ..	*Description average project*: • .. *Revenues per project*: • .. *Break-even number of projects*: • .. ← *Include revenues*

Issues to be solved, risks, etc.	Roadmap steps
• ..	•