Business model innovation in METS

How important is business model innovation?

The highly dynamic global mining environment and the pace of digitisation is challenging conventional business practices in the METS sector. Challenges also offer opportunities for innovating novel business models that unlock new economic value from new technologies, support more resilient competitive advantages, and improve the readiness for change for firms across the sector.

A firm’s business model is a system of interdependent activities and resources that are essential for the creation of customer value, the delivery of value to the target customer, and the appropriation of some of that value back to the firm and its partners. Innovating a business model involves changing in a number of these activities, resulting in a business model that is new to the firm and/or to the industry.

Business models and their innovation in the METS sector

Current business models in the METS sector are generating economic value through the exploitation of problem-solving capabilities to create value, nurturing customer relationships to increase the value delivered, transferring skills to engage in activities outside mining to appropriate more value, and maintaining an export focus to enlarge the customer base and value captured, among other activities.

However, firms are starting to experiment with new forms of value generation. Some firms are using highly specialised skills to link with global networks. To appropriate more value, METS firms are exploring novel pricing models based on performance rather than the sale of products. Others are framing their models around value-adding service provision, and even making services their key offering to expand their target markets and diversity revenue streams. Other examples are building capabilities in data analytics to add complementary offerings to products and services, building digital channels to extend reach, and setting up subscription-based models for their digital offerings.

Successful METS firms and their business models

A close examination of high-performing METS companies reveals that they differ in terms of the emphasis on the following elements:

- Target industry (mining vs. others)
- Physical vs. digital offerings
- Geographical location of customer base
- Human talent / expertise
- Physical vs. digital distribution medium
- Strength of customer relationships
- Services complementing the offering
- Point vs. end-to-end solutions
- R&D intensity
- Knowledge complementing the offering
- Degree of co-creation with customers
A business model framework for the METS sector

We have integrated insights from research studies on business models together with the aspects of business models in the METS sector presented here to develop a fit-for-purpose framework that can capture the diversity of business models from METS firms. The framework can be used by firms to understand where their models sit in relation to the sector’s common (and/or successful) business models by conducting an evaluation at the component level.

**Main offering**
Nature of the product and/or service comprising the main offering

**Complementary offering**
Nature of the product and/or service comprising the complementary offering(s)

**Scope of solution**
Whether the offering is a point solution to a customer problem, or an end-to-end offering

**Domain of offering**
Whether the proposition is mainly physical or digital (or both)

**Target industry**
Whether the target customers are mining companies and/or companies in other industries

**Geographical reach**
Whether the target customers are domestic and/or overseas companies

**Research intensity**
Degree of R&D relied on when developing the offering

**Degree of customisation**
Extent to which the offering is personalised to each particular customer

**Degree of co-creation**
Extent to which the customer is involved in developing the offering

**Network of partners**
Breadth of the set of partners required to develop the offering

**Value creation function**

**Value delivery function**

**Value capture function**

**Customers**

**Offering**

**Processes**

**Channels**

**Cost Structure**

**Revenue structure**

**Drivers of customer interaction**
Whether the interactions seek to increase the value of the purchased offering or to secure future transactions

**Market route**
Whether the offering is delivered directly to miners or indirectly through miners’ suppliers

**Domain of distribution**
Whether the offering is delivered through physical or digital channels (or both)

**Cost strategy**
Whether cost management is driven by cost reduction or by a differentiation strategy

**Economic factor**
Whether the driving factor when managing costs is to achieve economies of scope or economies of scale

**Main cost driver**
Whether costs are highly influenced by capital expenditure or operating expenses

**Diversity of revenue streams**
Number of different sources of revenue coming from various items

**Frequency of transactions**
Whether revenues come from one-time transactions or recurring transactions

**Export intensity**
The dependence on exports for revenue generation

**Pricing mechanism**
The logic used to set the price of offerings (e.g. product-based or performance-based)