Business models and business model innovation in METS firms

For firms to be competitive they have to create products and services that are valued by their customers, often co-created with their customers and suppliers. They then have to ensure they deliver the quality products and services they have created through effective market and distribution channels that meet customer needs. Finally for firms to succeed they have to ensure that they actually capture the value they create for their customers in order to reinvest that captured value in to their improvement processes and competitive positioning.

Value creation

METS firms are doing quite well in catering to the needs of their customers, including their engagement with customers and suppliers in co-creating value. However, the outcomes as shown on product-service mix, product/service diversity, degree to which products/services are digital, and scope of products and services is underdeveloped. This corresponds with less investment in R&D and limited numbers of business partners. As such supply and customer co-creation is strong to create customised products and services, but the limited diversity of their partner networks correspond with their limited scope of operations.

Value delivery

The METS firms serve a diverse range of customers. Their market diversity is relatively high as shown in the number of industries that their customers operate across, noting that their customers are not limited to mining. This corresponds with the number of types of customers and the distribution routes across the mining supply chain that METS firms serve. However, their geographical market diversity is limited – as such they are not globally or even internationally focussed – this can be a limitation in a globally competitive industry with many emerging competitors in China, Indonesia, South Africa and across Latin America. In terms of distribution and connecting with customers, METS firms still use traditional approaches delivering mainly through physical channels. The use of digital distribution channels which can extend market diversity remains limited.
**Value capture**

METS firms use a small number of pricing models to generate revenue - 1.5 in average. However, a large proportion of sales turnover comes from recurrent customers, which is shown through the value of transaction frequency. Their limited geographical market diversity indicated in value delivery links with their low export intensity. The export ratio over sales turnover is less, suggesting their focus on domestic markets.

With regards the cost structure, as expected, cost leadership strategy is still dominant in METS firms, with the costs mainly allocated to fixed investments like capital and equipment. However, there is a switch to differentiation strategy to gain competitive advantages. These firms balance between economies of scales and scope to save costs. The economies of scale also correspond with high transaction frequency – meaning that a large number but limited range of co-created small products and services are their lifeblood.

**Performance**

In seeking to understand firm performance it is very difficult to ask direct financial questions of respondents. To gather accurate responses it is more typical to ask relative performance questions in which respondents consider their performance relative to those in their sector. Our METS firms are performing well in all indicators when they compare themselves with their competitors (where the scores of over 3 indicate better performance than main competitors). They have better financial performance in term of net profit, cash flow and return on assets. They also consider themselves to outperform their peers when it comes to sales growth and market share. This links to a high level of customer satisfaction, potentially resulting from close collaboration with their customers and suppliers in co-creating their products and services. However, the employee growth is worse than their competitors, which may be explained through their focus on improve business efficiency rather than expanding the activities of these METS firms.