

Analysis and Evaluation of Business Model Patterns for the Craft Sector

Anna Rauhut, Johannes Votteler and Simon Hiller

Ferdinand-Steinbeis-Institute of the Steinbeis-Foundation, Stuttgart, Germany

anna.rauhut@steinbeis.de

johannes.votteler@gmail.com

simon.hiller@steinbeis.de

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Abstract: The German craft sector is an integral part of the German economy. The sector currently accounts for approximately 27 percent of all German businesses and employs around 5.5 million people. With an average capacity utilization rate of 84 percent and revenue indicators close to a previous all-time high, the current economic state of the craft sector is strong. Nonetheless, the sector faces multiple challenges. The businesses are confronted with a shortage of skilled labor, industrial companies capturing customers, the digital transformation, and a dynamic market environment. To sustain its strong economic standing, the craft sector must actively address these issues. One approach is business model innovation (BMI), which has various positive effects that could help to tackle the current challenges. Many business owners in the sector currently lack awareness of the relevance of BMI, and when they are aware have difficulties choosing suitable business models. The current methods for BMI, for example using business model patterns, are perceived to be too complex and thereby met with reluctance. The paper raises the research question of which business models are suited for craft businesses and addresses the need for a BMI method that matches the demands of the craft sector. In the first step, a literature review of existing business model patterns was conducted. Using a qualitative multi-dimensional benefit analysis, three experts evaluated a variety of business model patterns based on five dimensions: level of product adaption, complexity, customer focus, cost, and revenue potential. By compounding a benefit score for each pattern, the patterns were ranked. Out of 60 business model patterns evaluated, 14 patterns were identified to match the requirements of the craft sector.

Keywords: business model innovation, business model pattern, craft sector

1. Introduction

Nationwide, the German craft sector currently accounts for a substantial amount of businesses and ultimately jobs (Anon, 2019). Craft businesses face a series of challenges including a shortage of skilled labor, an increasing competition from enterprises outside the craft sector, and the digital transformation. Markets become increasingly dynamic and customers demand changes (Bauer *et al.*, 2017; Friedl & Glasl, 2018; Rohleder & Schulte, 2017; Stappel, Niegsch & Herborn, 2016; Welzbacher *et al.*, 2015). To secure its competitiveness in the long run, the craft sector needs to recognize and actively address these challenges through innovation. Especially, business model innovation (BMI) is becoming increasingly important, as the competition of product or service innovations is already fierce (Volery & Müller, 2010).

However, BMI is still rarely applied within small and medium-sized enterprises (SME) which also includes the craft sector (Schmeiss & Dopfer, 2017). A variety of obstacles including lack of relevant competencies and limited resources hinder craftsmen from taking action (Bauer *et al.*, 2017; Rauhut, 2020; Stappel, Niegsch & Herborn, 2016; Thomä & Zimmermann, 2016). Workshops conducted within the research project TREND which is founded by the Ministry of Economics, Work and Housing in Baden-Wuerttemberg shows that currently used methods of BMI are perceived to be too complex. The project reveals that BMI methods are required which establish a common understanding of BMI and help generate ideas for innovating business models (Rauhut, 2020). The goal of this research paper is to support craft enterprises by answering the question which business model patterns are suited to the requirements of the craft sector. The conducted research was part of a final thesis within the mentioned TREND project.

2. Related work and background

2.1 Business model

The term business model gained popularity during the 1970s, mainly in connection to business modeling. After 2000, the term was predominantly used in connection with the New Economy and is now widely established in business (Wirtz, 2018). Academic literature includes several different definitions of the term business model as